



Enphase Put Sales into Weakness with 200 Day Moving Average Test

Ticker/Price: ENPH (\$17.90)

Analysis:

Enphase Energy (ENPH) with 3,500 February \$15 puts sold to open today in a stock replacement for \$1.45 and follows the May \$20/\$17.50 bull risk reversal bought 1500X on 11-1 and the December \$25 calls bought 5000X on 10-31. ENPH has also seen the January \$17.50 puts sold to open 3,500X on 10-30. Shares were parabolic to the upside earlier this year before topping out around 35 in August and now back at the 200-day MA and 61.8% Fibonacci of the run. A move higher targets 25 initially, VPOC from Sept/Oct. The \$2.38B residential solar play trades 19.3X earnings, 5.8X sales, and 11.5X cash with expectations for 10% and then 19% EPS growth through FY21. Sales growth is expected to settle into a 20-25% annual range which caused a bit of disappointment on earnings last week although margins were a bright spot. ENPH continues to see significant demand and likely has a 2020 catalyst from the blackouts in California. They already have a battery partnership with A123 and likely others announced upcoming. Analysts have an average target for shares of \$35.50. Cowen positive with a \$27 PT on 10-30 seeing long-term potential given the scale of opportunity. JP Morgan positive with a \$30 PT but noting they've had execution missteps in certain markets. Roth Capital addressed the accusations of channel stuffing on 10-25 noting their checks recently show 3-4 weeks inventory, not seven months, which is rather tight. Short interest is 11% and down from around 29% in November 2018. Park West and Electron Capital notable holders although overall fund ownership fell in Q2. ENPH's CEO has been active buying stock at multiple times throughout the last twelve months, so on watch to see if he adds again after the earnings window.

Hawk Vision:



Hawk's Perspective: ENPH needs to show some better price-action and base on this 200 MA though the pullback seems unwarranted and valuation becoming attractive again.

Confidence Ranking: \$\$