



Spirit Air Bullish Positions Accumulate

Ticker/Price: SAVE (\$38.40)

Analysis:

Spirit Airlines (SAVE) with buyers today of 500 January \$35 calls up to \$3.80 and follows over 2,000 January \$37.50 calls bought recently as well as some sizable short puts in OI including 6500 December \$40s and 20,000 January \$45s. Shares are consolidating in a narrow multi-month range under \$40-\$41 with a low-volume gap back to \$50 from earlier this year. SAVE held the 2017/2018 lows around \$35 on the recent move lower. The \$2.63B company trades 7.94X earnings, 0.71X sales, and 10.3X FCF with over \$15/share in cash on hand. SAVE has taken EPS estimates down for FY20 due to a big investment push but sees earning over \$5.50/share in FY21 with mid-teens revenue growth both of the next two years. SAVE is the largest ultra-low cost carrier in the US with 600+ daily flights and an expanded footprint in 23 of the top 25 metro areas. They have a cost-advantage over peers given better asset utilization, operational efficiency initiatives, and programs like flight crew refreshes and investments in tech. SAVE has been executing on a number of non-ticket revenue drivers for 2020 including building out their ancillary offerings (now ~50% of the mix), website merchandising programs, and a redesigned loyalty program, hotel/car bundling. Analysts have an average target for shares of \$51 with 7 buy ratings, 8 hold, and 1 sell. Buckingham upgrading to Buy on 12-2, \$50 PT. They think revenue worries are dissipating on reduced competitive capacity and revenue initiatives are set to finally gain traction in 2020. Short interest is 8.9% and up from around 4% in August, a cautious signal. Polar Capital a notable holder of stock while insiders active this Summer. Director McIntyre Gardner buying \$208k in shares at \$41.92 in August while the CEO bought \$100k in stock in July around \$42.

Hawk Vision:



Hawk's Perspective: SAVE is attractive at these levels and recently screened as the best value in its peer group, so I like the reward/risk here.

Confidence Ranking: \$\$