



Hannon Armstrong Puts Open on Business Concerns

Ticker/Price: HASI (\$19.8)

Analysis:

Hannon Armstrong (HASI) with a sizable buyer of 4500 September \$25 puts on Friday up to \$8.50 to open, a more than \$3.5M purchase and the only notable OI in the name. Shares have been cut in half since February and rebounded last week to the 23.6% Fibonacci of the move with a small bear flag. A move under \$19 could re-test the recent lows around \$16 and create further pressure down to low-\$10 range. The \$1.4B company trades 13X earnings, 9.86X sales, and 225X cash with a 6.83% yield. HASI provides capital and services like loan originations to the renewable energy markets in the US, and relies heavily on credit markets in the US. They see a slowdown in EPS growth to 5% and then 1.5% the next two years, down from 15.5% in 2020. The company carries a lot of fixed-income investments with roll-offs every year and a lack of new opportunities would significantly impact their ability to grow and replace within their \$2B portfolio. HASI has previously said they see near-term opportunities in residential solar and community projects, but both could see sharp pullbacks in originations as spending is curtailed due to COVID-19. Also, they have a fairly leveraged portfolio of variable debt investments which will be impacted by changes in rates. Analysts have an average target for shares of \$34. Baird positive on 3-25 seeing HASI as a potentially recession resistant name with sufficient liquidity and access to diverse capital sources. BAML upgraded to Buy on 3-24 noting that while concerns exist, the latest bond market turmoil has disproportionately impacted the shares. Short interest is 9.4% and climbing sharply since November when it was around 5.5%. Institutional ownership rose 5.25% in Q4. Melvin Capital a buyer of puts equivalent to 1.2M shares. HASI has seen some small-dollar value insider buying in March around \$19-\$20, although no more than \$85k.

Hawk Vision:



Hawk's Perspective: HASI is definitely a name at-risk and very cheap Oil also does not help.

Confidence Ranking: \$\$