



Bullish Positioning in STAAR Surgical

Ticker/Price: STAA (\$35.1)

Analysis:

STAAR Surgical (STAA) with 1570 June \$37 calls unusually active on 4/13 with buyers at \$2 to \$2.10. STAA still has 3000 June \$40/\$25 collars in open interest tied to long stock and 3000 September \$50/\$34 bull risk reversals that opened on 1/15. STAA came out with strong guidance for Q1 on 4/13 but withdrew FY20 guidance like many companies as it has suspended production due to the pandemic. STAA has put in a triple bottom on the weekly chart near the \$23 level and has rebounded nicely, needing to clear \$37 for an implied move to \$51. STAA is currently trading 66X Earnings and 10X Sales with a debt-free balance sheet. STAA has been a disruptor in the vision correction industry and the company continues to invest in R&D. Gross Margins have steadily risen to near 75% and operating margins inflected positive in 2018 and hit 8.5% in 2019. The company is forecasting 25% revenue CAGR through 2022 and 35% ICL unit growth CAGR with continued profitability improvements, cash flow generation and a strengthening balance sheet. Refractive Surgery is the future and quickly replacing LASIK and STAA is targeting two large markets in Myopia and Presbyopia. The number of cases of each is quickly rising and the Refractive market TAM seen at \$6B which compares to a \$16B Contact Lens market and \$48B Eyeglass market. ICL has just a 1% market share in the US compared to 23% in Japan and 14% in China. Today, refractive surgery really encompasses about 4 million eye procedures, but the opportunity is far greater. There are 35 million myopes who really pass all of the criteria in terms of interest, age, ability to pay, demographics, and even more in presbyopia. There are over 55 million presbyopes. So STAAR has a huge opportunity with this wave to lens-based technology. Analysts have an average target on shares of \$46 and short interest at 6% of the float is down 30% Q/Q. STAA has not seen any recent analyst coverage, BTIG calling it a top pick for 2020 expecting upside to growth targets with increased penetration of existing markets, entry into new markets, new products and new indications. Hedge Fund ownership rose 1.3% in Q4 filings.

Hawk Vision:



Hawk's Perspective: STAA is one of my favorite small cap growth med-tech names, and certainly to see some near-term headwinds, but current pattern targets a move to \$44.

Confidence Ranking: \$\$