



## Positioning for Upside in Sunrun

Ticker/Price: RUN (\$12.60)

### Analysis:

**Sunrun (RUN)** with 2500 November \$12 calls opening on 4/21 up to \$3.20, a name that has previously seen 2000 August \$16 calls sold to open while also having over 3000 May \$12 calls in OI from buyers, and has 4000 January \$25/\$15 bear risk reversals that were likely collars. RUN also has 2500 August \$14 short puts in open interest from a 2/10 trade. RUN shares are triggering a long base breakout this week that measures to \$18 as shares enter a volume pocket out of an ascending triangle bottom. The \$1.48B maker of solar energy systems trades 17X Earnings, 1.72X Sales and 5.5X Cash but does have a lot of debt. On 4/6 the company withdrew guidance and took action to lower expenses and sees potential for volumes to be down 50% Y/Y for two quarters and cash burn limited to \$30M per quarter with \$366M on hand. RUN will next report on 5-6 and has a 5-14 conference with CSFB. Sunrun has led the industry since 2007 with its solar-as-a-service model, which provides clean energy to households with little to no upfront cost and at a saving compared to traditional electricity. The company designs, installs, finances, insures, monitors and maintains the systems, while families receive predictable pricing for 20 years or more. The company also offers a home solar battery service, Sunrun Brightbox, that manages household solar energy, storage and utility power. Analysts have an average target of \$19 while short interest at 17% of the float is rising to new heights. On 4/8 CSFB cut its target to \$18 from \$30 reducing growth assumptions due to near-term demand weakness from COVID-19. Barclays on 4/7 called the update reassuring as a resilient name and has an Overweight rating and \$26 target. JPM in early March saw Solar stocks as a safe-haven with low interest rates and new products providing exposure to secular tailwinds while having little supply-chain or demand impact. JPM has a \$25 target on RUN seeing surging Brightbox deployment, improving cash flow, initiatives to speed deployments and lower costs and mitigation efforts from COVID-19 disruption. Hedge Fund ownership fell around 5% in Q4 filings, Tiger Global a notable top holder added shares as its 14<sup>th</sup> largest position.

### Hawk Vision:



**Hawk's Perspective:** RUN has a nice set-up and above \$13 can trigger a nice move in shares, though **SEDG** the preferred Solar own.

**Confidence Ranking:** \$\$