



Bulls Buy Calls in Allegiant Air

Ticker/Price: ALGT (\$83.15)

Analysis:

Allegiant Air (ALGT) June \$80 calls active on 4/29 at \$10 to \$10.50 in size trades after 1000 of the July \$75 calls were bought near \$11 on 4/28, accumulating positions in a lightly traded name. ALGT shares have rallied this week after basing nicely a few weeks above \$65 and working into a low volume pocket with room to move to a gap fill at \$118. The \$1.28B regional airliner with a focus on Las Vegas saw the President buy 11,000 shares in late February at \$139.95 and \$129.50. ALGT now trades 7.3X FY19 EV/EBITDA and had a lot of cash on hand. ALGT targets leisure travelers in small and medium cities filling a void and has a low cost fleet, less capital intensive with higher free cash flow. ALGT has the best completion factor in the entire industry while still delivering above average on-time performance. It has the highest EBITDA per Aircraft among regional carriers. It has also been working on deleveraging after its fleet transition. It ended 2019 at 2.7 turns debt-to-EBITDA versus 3.4 turns at the end of 2018. Analysts have an average target of \$115 and short interest at 13.3% of the float is elevated. On 4/21 Deutsche Bank cut its target to \$ 110 from \$160 noting the current unprecedented situations has airlines squarely focused on bolstering liquidity positions. Hedge fund ownership fell 3% in Q4 filings, Par Capital with a concentrated position along with Wasatch.

Hawk Vision:



Hawk's Perspective: ALGT has a nice support to trade against on a reward/risk set-up and also like the fundamentals as a top name to own in the group, but still a ton of uncertainty for air travel making it very hard to value any of these names.

Confidence Ranking: \$\$

