



## Bullish Calls in O'Reilly Auto as Shares Break Range

Ticker/Price: ORLY (\$400)

### Analysis:

**O'Reilly Auto (ORLY)** buyers active 330 June \$400 calls \$18 to \$20.40, interesting activity paying up sharply in early trade as IV rises and now up to 1000X paying \$21. ORLY does not really have any other notable open interest, the August \$450 calls have 316 in OI stands out a bit. ORLY shares are in a narrow range here and looking to clear the range and be above all key moving averages, a good trade set-up versus \$375 support. Out of this range shares can make a move back to \$446 highs from the start of the year. ORLY will not report for a while but **AAP** and **AZO** both reporting in May. The \$29.9B auto parts retailer has long been a best-in-class name with strong comps and high ROIC while many have felt consolidation is likely in this group. ORLY is trading 20.2X Earnings, 2.9X Sales and 26.7X FCF. ORLY saw some weak sales from a milder Winter and then the stay-at-home orders hurt sales. . A significant majority of the demand in the automotive aftermarket is nondiscretionary and the group has tended to perform well in recessionary environments. ORLY has 5,344 stores in 47 states with a DIY / Professional split at 57% and 43%. Total Miles Driven and Ageing Vehicles are two tailwinds in the \$297B aftermarket automotive market with ORLY seeing a \$90-\$100B addressable market. Analysts have an average target of \$410 and short interest low at 1.9% of the float. Wells Fargo raised its target to \$450 on 5/8 hopeful on consumers returning to work and miles driven recovering and views ORLY as the best operator in an attractive/defensive category and sees gradually improving results and more normalized growth in 2021. Cleveland Research out this morning with a positive note on market share gains. RBC raised its target to \$409 saying early Q2 looks showing better comps thanks to its leading market position and geographic exposure. Hedge Fund ownership rose 2.45% in Q4 filings, D1 Capital, Akre, Viking Global and Broad Run all top concentrated holders.

### Hawk Vision:



**Hawk's Perspective:** ORLY looks great versus \$375 here and thinking it could benefit from less mass transit leading to more miles driven.

**Confidence Ranking:** \$\$