



Flir Calls Surge as Reopening Concerns Rise

Ticker/Price: FLIR (\$43.20)

Analysis:

Flir Systems (FLIR) early buyers of 1,700 July \$45 calls up to \$2.30 and then 1,000 October \$45 calls opening up to \$4.80, both continuing to see accumulation and now over 4,000 and 2,000 respectively. FLIR has a lot of June open interest expiring this week including 5,000 June \$40 short puts, spot expected to hold, while the July \$45 calls had 2,500 in OI already from buyers starting back in late April. FLIR shares dipped back below the rising 50-MA late last week but put in a nice reversal candle yesterday and trying to reclaim the 8-EMA and short-term momentum today. The 38.2% Fibonacci of the rally from the March lows also held and current channel down from the May highs targets a run to \$55 with MACD back near zero and turning, plenty of room to run. The \$5.5B company trades 18.35X earnings and 2.9X sales with a 1.6% yield and clean balance sheet. FLIR is back in focus today with COVID-19 cases jumping as states re-open for business and name we highlighted in April as a thematic winner as temperature checks become more mainstream. EST, or elevated scan temperature, remains a big opportunity as the company has largely focused sales on Asia Pacific given prior pandemics in the region like H1N1 while Europe/North America largely under-penetrated until now. The company was at the Needham conference on 5/20 noting that they expect Q2 revenues to remain strong as major manufactures like GM adopt their use to re-open factories and more essential businesses add their EST tech. FLIR expects bookings to expand beyond initial scope as they broaden their sales into more areas like schools and sports venues which have been largely nontraditional until now. Analysts have an average target for shares of \$51. William Blair positive in late April while Raymond James thinks the growing dual market opportunity will greatly expand their TAM. FLIR short interest is 1.7% and around 5-year lows. Hedge fund ownership rose 4%. Polar Capital a buyer of 1M shares in a new position.

Hawk Vision:



Hawk's Perspective: FLIR trades at attractive valuation given a potential upswing in order trends, a low from yesterday is a level to be trading against.

Confidence Ranking: \$\$