



Unusual Call Buying in Proto Labs

Ticker/Price: PRLB (\$113)

Analysis:

Proto Labs (PRLB) with 800 January \$110 calls being bought today up to \$19.90 to open, a sizable buy in the name which recently had 365 OTM January \$175 calls bought to open. Shares traded strong in April/May and now pulling back to the rising 55-MA and just above cloud support. A move out of this narrow channel above \$115 has room back to recent highs near \$130 and longer-term up to \$150+. PRLB has traded in a narrow base for much of the last two years and the recent pullback has held the major 2-year VPOC at \$106.50. The \$3B metal fabrication company trades 47.5X earnings, 6.5X sales, and 23X cash with no debt. PRLB is custom manufacturer of on-demand parts using injection molding, 3-D printing, direct metal laser sintering and other processes for engineering across a number of end-markets. PRLB sees mid-20% EPS growth and mid-double-digit revenue growth the next two years even with COVID-19. PRLB has seen a surge in demand across areas like PPE, respirators, diagnostic testing kits, and ventilators. The company noted over 4M parts ordered in Q1. Analysts have an average target for shares of \$94.50. Benchmark started coverage in May with a Street High \$145 PT. They think PRLB should be able to fill any and all gaps in its order flow during the pandemic with its COVID-19 programs. Short interest is 15.7%, somewhat cautious, and has been rising since mid-2019 when it was around 5%. Hedge fund ownership jumped 26.5% in Q1. Harding Loevner a buyer of 1.5M shares in a new position while ARK Investment nearly doubled their stake.

Hawk Vision:



Hawk's Perspective: PRLB has one of my favorite chart set-ups with an orderly wedge back to the rising 55 MA. The short interest is a concern but do like the thematic play on faster product cycles.

Confidence Ranking: \$\$