



FEATURED OPTIONS RADAR REPORT



Polaris Bull Spreads Position for Earnings Season Breakout

Ticker/Price: PII (\$95)

Analysis:

Polaris (PII) buyer of the August \$100/\$110 call spread for \$2.80, 2000X into 7-28 earnings, and follows the same spread bought 750X on Friday. PII has a strong recent history with shares closing higher each of the last three and recently had 500 January \$85 puts sold to open around \$11.30 showing confidence in a pullback. PII does have over 9000 September \$50 puts in OI from buyers in May but down between 75% and 80% from initial buys. Shares are coiled in a multi-week bull flag under \$100 with a breakout targeting \$115 and a break above major resistance that stretches back to October 2018. Long-term, PII is in a major bull trend and continuation higher has significant upside. The \$6.11B company trades 16.5X earnings, 0.91X sales and 25X FCF with a 2.55% yield. PII is a leading maker of power-sports vehicles and their off-road vehicles, boats, and light-duty all-terrain vehicles could see strong uptake as more people shift spending to outdoor activities. PII estimates have recovered since the March lows as demand trends rebound and they now expect high-single digit growth in FY21 and FY22 with over \$6.50/share in earnings power from \$3.85 now. PII was at the Baird conference on 6-4 and noted that powersports overall remain strong while they're seeing all new cohorts of customers driving growth. Analysts have an average target for shares of \$86. Wedbush adding to its Best Ideas List on 7-6 as PII is a 'great re-opening stock' as consumers are still being conscious of the ongoing risks associated with travel and large crowds. BMO positive in June after checks indicate that dealers are seeing record sales with no end in sight but did note that a shortage of inventory which could limit potential. Short interest is 3.4% and down from 7% in March to its lowest level since 2001. Hedge fund ownership rose marginally in Q1. PII saw a lot of insider buying in 2018 just above current levels with more than \$1.2M bought by four different individuals including the CEO at \$104/\$105.

Hawk Vision:



Hawk's Perspective: PII is an excellent value and with China concerns behind it could outperform on the Outdoor recreation trend, a name in the past dependent on cold weather, but has diversified.

Confidence Ranking: \$\$