



## FEATURED OPTIONS RADAR REPORT



### Unusual Call Accumulation in K-12

**Ticker/Price:** LRN (\$35)

#### Analysis:

**K12 (LRN)** buyers of 1,000 ITM August \$30 calls this morning from \$7.00 to \$7.50 and later 1,000 of the August \$25 calls bought for \$12. Today's flows come after 1,000 August \$33 calls bought last week and buyers on Friday of 500 August \$35 calls and 400 OTM September \$40 calls. Shares are pretty extended after the recent run higher and breakout above \$28 and just below the 2019 highs. A consolidation of the recent run and breakout to run above \$40 would clear a big 13-year range to new all-time highs with a lot of room to run. The \$1.33B company trades 43X earnings and 1.3X sales with plenty of cash on hand and limited near-term maturities. LRN provides online curriculum, software, and educational services for students between kindergarten and 12<sup>th</sup> grade. They also offer services for schools in blended programs with some on-campus learning. LRN is seeing a surge in interest as COVID-19 makes fall school decisions in flux and many parents opting for a safer, socially-distanced option. LRN is seen as an 'all-encompassing' home schooling solution with teacher/support staff, laptops and IT support, educational content, and more. They see 50% EPS growth in FY21 and high-single digit revenue growth but lots of room for growth in the future as they expand into adjacent markets like career readiness which more than triples their existing TAM. Analysts have an average target for shares of \$32, although limited coverage. Sidoti at a Street High \$34 but recently downgraded shares to Neutral citing high expectations that COVID-19 will spur demand for online primary school options. BMO positive on 6-4 as demand indicators for fall managed school programs are trending about two months ahead of schedule. They also note that while some parents may not choose to enroll now with a 'wait and see' approach, there could be a huge acceleration later in the year if conditions worsen. Short interest is 4.9% and up a little from May when it was 3.5%. Hedge fund ownership rose 10.4% in Q1. Portolan Capital, Intrinsic Edge, and Invenomic Capital all buyers.

#### Hawk Vision:



**Hawk's Perspective:** LRN is quietly in focus as a home and online schooling play and has made a sharp run, a name to keep an eye on if it bases and sets back up.

**Confidence Ranking:** \$\$