



FEATURED OPTIONS RADAR REPORT



Li Auto a Potential Electric Vehicle Winner, Bulls Buy Calls

Ticker/Price: LI (\$17)

Analysis:

Li Auto (LI) saw an early large buy of more than 1200 March \$15 calls at \$7.90 on 8/24 and shares closed the session near highs, up 13.7%. LI traded a total of 10,563 calls on the day while IV30 jumped sharply +35%, the near-term September \$17.5 and \$20 calls also active. LI is a recent IPO that moved up to \$18.50 before pulling back and basing near \$14.50. LI is a Chinese electric SUV maker that sold 95M ADS at \$11.50, above the expected offering price. Li Auto's revenue has surged as it moves toward profitability. Its first-quarter revenue of \$120 million was triple that for all of 2019, according to the company's filings. While it lost \$344 million last year, its net loss in the first quarter this year shrank to \$11 million. The company makes SUVs that cost \$21,000 to \$70,000 and plans to launch a premium vehicle in 2022, according to its filings. It sold about 10,400 of its flagship model, Li ONE, as of the end of June. Hillhouse Capital also has indicated an interest in buying as much as \$300 million worth of shares in the offering at the IPO price, Li Auto said in its filings. Bernstein started shares Outperform with a \$21 target, Goldman Sachs at Conviction Buy with a \$20.60 target and sees LI differentiating itself creating a compelling electric vehicle consumer experience. Li is the first carmaker in China to commercialize an extended range electric vehicle, the Li One, which launched its first product in November 2019. MSCO started coverage at Overweight with a \$20 target noting premium SUV is a sweet spot in China and Li Auto's distinctive product and business model can differentiate itself. With their growing consumption power, families in China tend to choose SUVs for daily commutes and weekend family trips. As one of the most competitive SUV models in China, Li ONE is well positioned to capture the huge growth opportunity of this segment. LI has focused on in-house development of its proprietary range extension system and smart vehicle solutions that can lead to wider and earlier adoption in China while also offering the best experience.

Hawk Vision:



Hawk's Perspective: LI looks to be the real deal and a differentiated product with a long runway for growth. It is always tough with Chinese IPOs but I really do like what I see with this one.

Confidence Ranking: \$\$