



FEATURED OPTIONS RADAR REPORT



Smith and Wesson Calls Heat Up as Gun Sales Stay Strong

Ticker/Price: SWBI (\$25.90)

Analysis:

Smith and Wesson (SWBI) buyers active September \$30 calls this afternoon over 3,765X near \$1.85 looking to add to OI and follows buyers of 1,000 January 2022 \$35 calls for \$3.50 on 7/14 while the January \$27 calls also with recent buyers over 1200X. SWBI shares are near recent highs riding the 8-EMA since mid-July. SWBI has key support below around \$22, the June/July VPOC, which also aligns with the rising 20-MA and potential for a pullback with shares a bit extended. The \$1.47B company trades 22.4X earnings, 2.17X sales, and 11.75X cash with estimates jumping recently with gun sales remaining strong and now seeing 25% Y/Y revenue growth in FY21. SWBI will report earnings in late August and likely posts a strong quarter given positive commentary from outlets like VSTO, SWPH, BGFV, and HIBB in the last two months. Meanwhile, NICS background checks continue to soar up 79% Y/Y in July with the social unrest driving demand. The company approved a split in November and board approved on 8/3 with the two companies trading alone on 8/10. The new structure will have SWBI house their firearms business while **American Outdoor Brands (AOUT)** will be their outdoor products and accessories. The company sees the split as a positive driver for both brands as it separates a largely political undertone from the camping/outdoors products as well as any legal liability issues the firearm business could face. Analysts have an average target for shares of \$19.25, Lake Street a Street High with \$28. The firm notes that both FBI NICS background checks data and his own recent channel checks point to significant sales of firearms that increased beginning in late April. They also think the "high demand" for firearms will continue with the election a positive driver given the concern over Biden's stance on gun laws. Short interest is 6.7% and near multi-year lows. Hedge fund ownership was flat in Q1. SWBI saw a lot of insider buying in March at much lower prices, the CAO and other directors adding stock around \$6.

Hawk Vision:



Hawk's Perspective: SWBI has been on a big run and riding momentum not a bad idea here as fundamental line up with the move, though 2021 will face tough comps so likely a short-term idea.

Confidence Ranking: \$\$