



Align Bull Sees Recovery Continuing in Ortho Market

Ticker/Price: ALGN \$313.25

Analysis:

Align Tech (ALGN) with a buyer of 1,300 November \$310 calls for \$37.90 to \$39.00, sizable trade in the name that is setting up well with a strong chart noted this morning. ALGN has seen some smaller bull plays open recently including 200 October \$390 calls in mid-July and 585 October \$195 puts sold in June. Shares have been consolidating in a narrow range since mid-July and touch of the 50-MA yesterday was bought with a breakout above \$320 targeting \$365. Longer-term, ALGN in a big range stretching back to late 2018 and the move above \$335 sets up for a measured target to \$500. The \$24.5B company trades 44.4X earnings and 11.3X sales with mid-teens growth. ALGN has recovered well from the initial pandemic sell-off in March as they moved quickly to shift training and sales online while working with practices to ensure they could continue work in a digital world. They did note growth in the teen market in Q2 with young patients, mostly in APAC. ALGN remains a well-positioned name in a massive, fragmented market with a long runway for adoption as an alternative to current SoC. ALGN believes that the pandemic will pull forward a lot of next-gen initiatives like digital marketing and outreach that will be long-term benefits overall. Analysts have an average target for shares of \$280. Barclays downgrading recently to Neutral with a \$300 PT citing valuation but noting that Q2 will likely be a "trough quarter" for COVID-related impact on the global orthodontic market. Baird positive as they think the company remains well positioned to benefit from secular tailwinds. Piper with a \$345 PT as they highlight that ALGN has seen a strong recovery in certain international markets and, most importantly, a year-over-year increase in North America utilization in June showing the recovery is taking shape. Short interest is 4.3% and down from over 6% in January. Hedge fund ownership rose 2.6% in Q2, Viking Global a big buyer of stock while Edgewood and Sands Capital notable holders. ALGN saw some sizable insider buying August 2019 back around \$188 to \$199 with the CEO adding \$1M.

Hawk Vision:



Hawk's Perspective: ALGN sets up well and can be traded easily vs the recent lows, although prefer stock with the options more illiquid; overall, though, a tricky situation without forward guidance and lack of a strong outlook on demand visibility

Confidence Ranking: \$\$