



AutoNation Calls Position for Continued Gains as Used Market Remains Strong

Ticker/Price: AN \$51.15

Analysis:

AutoNation (AN) buyer of 4,500 November \$45 calls for \$7.80 and follows recent buys in the October \$38 calls and October \$40 calls. Shares have pulled back following a strong run and sitting on the 23.6% Fibonacci of the rally from the March lows. A move back above the 8-EMA sets up for a re-test of \$60 and potentially new 3-year highs. The \$4.54B company trades 8.54X earnings, 0.22X sales, and 4.5X FCF with high-single digit growth. AN is coming off a strong quarter as they executed well despite the impact of COVID and used car prices remain strong up 12.5% in the last twelve months. AN continues to invest in their long-term vision with plans to open 20 new stores over the next three years and looking gain share in the used vehicle market which they note is substantially larger than the new market. They also see post-COVID trends being supportive of vehicle ownership and their strong brand, significant digital investments in data and analytics, and expanded omni-channel capabilities give them an advantage over peers. Analysts have an average target for shares of \$56.50 and JPM a Street High \$70 seeing opportunity for larger, well capitalized players in the space to gain share after the pandemic. Guggenheim upgrading to Buy in August citing room for multiple expansion as they extract value from omni-channel and its investments in Vroom and Waymo as well as potential earnings upside from capital deployment. Short interest is 4.4% and down from 7.5% in May. Hedge fund ownership fell 6.5% in Q2, ESL Partners and Arlington Value top holders.

Hawk Vision:



Hawk's Perspective: I still prefer higher-growth names like **CVNA** which is truly disrupting the market but **AN** is interesting given their more aggressive position coming out of the pandemic while the equity investments in **VRM** and **Waymo** are interesting fliers

Confidence Ranking: \$\$