



FEATURED OPTIONS RADAR REPORT



Callaway Golf Calls Active on Event Driven Speculation

Ticker/Price: ELY (\$20.30)

Analysis:

Callaway (ELY) buyers of 5,000 November \$22 calls this morning up to \$1.30 to open and follows buyers in the November \$20 and \$21 calls yesterday over 2000X each while the December options still have bullish open interest from earlier this year. ELY had a size seller in the July \$20 puts on 9/15 and willing buyer of stock near current levels. Shares are setting up just below the August highs for a breakout and measured run to \$26.50 and new all-time highs. ELY has bounced back strong since March and long-term range measures out to \$31. The \$1.89B company trades 21.75X earnings, 1.27X sales, and 11.5X cash with estimates for more than \$1.15 in EPS by FY22, up from around \$0.45 now, and mid-double digit revenue growth. ELY has seen their business bounce back well from the early Spring weakness citing strong growth trends in both the US and ROW last quarter. They continue to win market share and remain the number one club brand and number two ball brand in the US while e-commerce growth has carried through despite brick-and-mortar re-openings, up 50%. ELY remains positioned well in a growing category with 20% increase in participation for juniors/new golfers in 2020 according to the National Golf Foundation. In June, the organization noted rounds played were up 14% Y/Y overall. ELY is looking to capitalize further into year-end with new product launches and ramp into January's PGA Equipment Show, a major catalyst for the new year. Meanwhile, their Jack Wolfskin deal continues to benefit from the big outdoor theme highlighted many times this year and they noted in August that they're outperforming rivals like North Face and Columbia in terms of Y/Y growth, starting to be a category winner. Analysts have an average target for shares of \$21.50. B Riley positive on 9/29 as trends continue to improve and they expect a robust Q3 as gold remained one of the top activities in the Summer during social distancing while the name also carries advantage into November with little election risk. Short interest is high, around 17%, and up from 12.5% in May. Hedge fund ownership rose 10.5% in Q2, Cadian Capital a big buyer while activist Jana Partners has been selling their stake down. Insiders were active in 2019 around the \$15 level with the CEO and CFO both adding shares. ELY has significant optionality as well with their 15% equity stake in TopGolf, a name that has been rumored to seek an IPO or potential SPAC deal.

Hawk Vision:



Hawk's Perspective: ELY has made a big move the last week and a name we wrote on at lower prices, continue to like the Top Golf angle and outdoor recreation theme but prefer a move back to \$19.

Confidence Ranking: \$\$