



## FEATURED OPTIONS RADAR REPORT



### Nio Bulls Active with Momentum as EV Sales Strengthen

Ticker/Price: NIO (\$21.75)

#### Analysis:

**Nio (NIO)** with sellers of 1,500 May \$17 puts today for \$3.55 and follows sellers in the May \$19 and \$20 puts on Friday as well as the November \$25 puts sold 2000X. NIO sees a lot of action daily and notable flows recently include buyers in the February \$21 calls, May \$15 calls, and Jan. 2022 \$35 OTM calls. NIO also has drawn other put sellers lately including the May \$21 puts and February \$16 puts. Shares are forming a higher and tight bull flag above the 8-EMA and under \$22.25 after a strong run and measured move from the recent range targets \$27. The \$29.2B company trades 20.2X sales and 18.5X cash with limited debt and profitability expected within the next four years. They've been on an explosive growth track recently with deliveries data regularly topping 100% Y/Y and FY21 sales expected to top \$3.85B, a 72.5% Y/Y gain, with a 3-year target of \$6B. NIO is one of several emerging EV players in China and their focus on SUVs positions them well as they grow in popularity at 43.62% of the overall passenger car market in China vs just 15.86% in 2015. NIO is well capitalized after a \$1B investment from the Chinese government which will allow them to bridge the next 2-3 years of expansion and production into profitability while gross margins were positive for the first time in Q2 and they continue to see expansion into year-end as they scale back on marketing and cut costs. They posted a strong quarter in August as demand continues to surge – they had already doubled 2019's deliveries by July – and two new models rolled out in September which are expected to broaden their middle-class market appeal. NIO also announced a new program called 'Battery-as-a-Service' as a way to gain market share by allowing customers to buy the car and battery separate, lowering the cost of the vehicle by around \$10,000. They think BaaS will ultimately give customers much more flexibility and optionality than peers like Tesla (TSLA). Analysts have an average target for shares of \$14 and Credit Suisse a Street high \$25. Deutsche Bank positive on 9/29 saying NIO can become the next 'iconic auto brand' given the company is increasingly perceived by customers as a high-quality premium brand with best-in-class technology and service. The firm thinks NIO has plenty of upside given China is the World's largest EV market and there is still plenty of runway to capture market share away from traditional ICE automakers. Short interest is 5% and falling steadily since January when it was 21%. Hedge fund ownership rose 233% in Q2, DE Shaw a buyer of 19M shares while Jericho Capital a buyer of 11.7M shares.

#### Hawk Vision:



**Hawk's Perspective:** NIO setting up with a nice flag and seeing continuous bullish options action, though still prefer TSLA as a US leader and like LI opportunity as well. Overall EV names have a massive market to disrupt with sustainable growth for many years.

**Confidence Ranking:** \$\$