



FEATURED OPTIONS RADAR REPORT



Bull Spread in Advanced Auto Near New Highs

Ticker/Price: AAP (\$204.50)

Analysis:

Advanced Auto (AAP) spread here buys 1800 September \$210 calls for \$7.90 and sells 1800 of the \$180 puts for \$2.15, one of the nicer charts with shares sitting just below a big weekly breakout. AAP has not seen a lot of notable flows lately but does have 6500 January \$160 calls and 5,000 January \$170 calls in open interest from October buyers while the July \$190 puts sold to open 2000X. Shares are consolidating in a nice bull flag under \$208.50 with a breakout targeting \$228.50. The \$13.15B company trades 16.8X earnings, 1.22X sales, and 13.6X FCF with a 2% yield. AAP is benefitting from higher mobility trends in the US, especially around urban areas as the pandemic eases and more people return to work. In the 2H, the company plans to focus more on category management, streamlining the supply chain, improving margins per store, and reducing corporate SG&A. Their sourcing Analysts have an average target for shares of \$197 with a Street High \$240. RBC positive on 6/17 noting that the company has had to reinvent itself over the last 5 years and has now laid the groundwork to finally accelerate its growth on a normalized, post-COVID basis. They also think increased personal vehicle usage and rising used vehicle prices are continuing to drive strong trends for Advance Auto Parts. Argus raising estimates on 6/8 as they are forecasting further comp improvement as the company continues to expand its omni-channel capabilities and increases marketing spending. Short interest is 4.9%. Hedge fund ownership fell 8% in Q1. Eminence Capital with a new 833K share position. In June, a director bought stock at \$198.

Hawk Vision:



Hawk's Perspective: AAP is a favorite name and sets up great here under \$210 with the 8-EMA supportive and offering a nice risk/reward for new highs

Confidence Ranking: \$\$