



FEATURED OPTIONS RADAR REPORT



Best-in-Class Med-Tech Name Sees Massive Call Buys into Weakness Before Earnings

Ticker/Price: ALGN (\$596)

Analysis:

Align Technologies (ALGN) weak yesterday after a broker note but bullish flow into the dip including 1,600 October 29th (W) \$600 calls for \$3.88M and 1,000 November \$670 calls for \$1M. ALGN had a buyer of 1000 November \$630/\$700 call spreads on 10/12 as well while the December and April calls bought in size since 9/30, albeit smaller lots. ALGN reports on 10-27 and higher in three of the last four with an average closing move of 7.4% and a max move of 34.97%. The current implied move is 10%. Shares bounced yesterday right at VWAP from the huge October earnings gap higher at \$575 and large rising channel which measures back to \$740. ALGN also closed right at VPOC from the range since that date too at \$595. The \$48.4B company trades 45X earnings, 14X sales, and 54X FCF with mid-20% growth. ALGN is coming off a strong quarter, their first \$1B revenue quarter, with record volumes for both clear aligners and services for both teens and adults. They continue to see strong growth from implementation of the iTero scanners. ALGN has benefitted from the reopening of offices and a return to 'normalcy' and the company continues to see a massive opportunity in an underpenetrated market with 15M+ orthodontic case starts each year and more than 500M potential starts with people who need teeth straightening. They see training and marketing efforts in collaboration with doctor's offices as key to driving growth and most now at 90% to 100% open which will help utilization. They also see China as an untapped market where they have invested in their first outside manufacturing plant and training centers. Analysts have an average target for shares of \$689 with a Street High \$790. Stifel's note on 10/13 indicated checks came back soft into September and the quarter is skewed more towards downside than prior quarters. They continue to have a Buy rating and think the long-term drivers for the stock are intact. Piper with a \$775 PT and positive in late July noting that adult Invisalign demand isn't showing any signs of slowing down and the reopening momentum should drive further upside. Short interest is 1.9%. Hedge fund ownership fell 4%. Melvin Capital a buyer of call options and stock. Edgewood Management a top holder with 4.4M shares.

Hawk Vision:



Hawk's Perspective: ALGN is a best-in-class name that has a massive long-term opportunity in front of it and recent weakness is likely a nice opportunity; yesterday's low came right at a big spot and sets up a nice risk/reward for a run into earnings

Confidence Ranking: \$\$