



## Align Tech Attracts Bullish Activity as Trend Inflects

Ticker/Price: ALGN (\$296.50)

### Analysis:

**Align Tech (ALGN)** with some bullish activity on 1/9 with the February \$310/\$330 call ratio spreads opening 900X1800 and a buyer of January 2021 \$340 calls for \$1.2M. ALGN had seen fairly mixed positioning the last few months with a few smaller trades and will see a lot of open interest expire with January 2020 OpEx. The former med-tech leader topped in October 2018 and has never really recovered but this week is breaking out of a large wedge pattern and RSI on the weekly also breaking out of a downtrend. On the monthly MACD is nearing a bull crossover, and shares lack much near-term resistance until the \$325 level. The \$23.65B maker of dentistry products trades rich still at 45.7X Earnings, 10.3X Sales and 38.8X FCF. ALGN has impressively seen FCF/share grow 36% each of the past two years. Revenue growth is seen remaining near 18-20% the next two years after 22% growth in 2019 was its slowest since 2015. EPS growth is forecasted to accelerate back near 20% in 2020. ALGN has been expanding Internationally where it is seeing great growth including a massive opportunity in China and is also looking to increase orthodontic utilization. Analysts have an average target of \$270 on shares and short interest is nearing a three-year high at 5.5% of the float. Wolfe Research upgraded shares to Outperform with a \$360 target yesterday. Goldman on 12-18 reiterated a Buy rating and \$300 target. On 11/18 Stifel raised its target to \$305 after the company highlighted the way digital has transformed the clear aligner market and has a robust set of new products with plans to better penetrate the lower acuity market. Hedge Fund ownership fell 2.4% in Q3 filings, Edgewood Mgmt. a top buyer as its 19<sup>th</sup> largest position now while Bares Capital added a large position making ALGN its 8<sup>th</sup> largest position. Polen Capital is also a top holder that added to its position in Q3 and Hillhouse Capital started a new large position as its 12<sup>th</sup> largest position.

### Hawk Vision:



**Hawk's Perspective:** ALGN still has a very attractive growth profile but the risks with it have been rising, and short interest climbing. I would need to see larger size flow for more confidence because currently just better med-tech options to be long.

**Confidence Ranking:** \$\$