



FEATURED OPTIONS RADAR REPORT



Alaska Air Bulls Look for Return to 52-Week Highs

Ticker/Price: ALK (\$68.75)

Analysis:

Alaska Air (ALK) strong setup and trading 3X average calls today with buyers of 3,000 June \$75 calls for \$1.00 to \$1.15 and name with limited yet bullish open interest in the January \$57.50 calls, January \$75 calls, and January 2023 \$60 calls. ALK has also seen sellers in the July \$62.5 puts. Shares have pulled back off of recent 52-week highs and setting up for a potential wedge breakout above \$70 with room out to \$75 and then \$85 as a measured target. MACD has reset back near zero and curling higher and RSI is back above 50, ready to run. The \$8.34B company trades 14X earnings, 3X sales and 2.35X cash. ALK was positive recently on the 2H of 2021 as pent-up demand for travel accelerates and they're positioned well in hubs that cater more towards leisure travel (i.e. Hawaii, California, Colorado, Florida) which is expected to come back soonest. They noted in April that Q1 was a major inflection point on a return to pre-pandemic levels with future bookings roughly 80% of 2019 ranges while they're continuing to operate within a more cost-effective framework setup last year. ALK sees further upside in 2021 as they receive more 737-9 MAX aircraft and get the OK from the FAA to put them into service. The company received four recently and by the end of 2022 they expect another 39 MAX 9s, replacing their older Airbus fleet with planes that are 25% more fuel efficient with lower maintenance costs and higher potential for revenue growth given passenger sizes. Analysts have an average target for shares of \$70 with a Street High \$104. Raymond James raising estimates in April citing its low-cost/capital-efficient DNA, largely domestic focus, relatively unimpaired balance sheet with an ability to deleverage faster than peers as upside drivers. The firm also thinks there is revenue upside from the expanded American (AAL) partnership and new one world membership. Short interest is 1.8% and near multi-year lows. Hedge fund ownership jumped 12% in Q4, Victory Capital, PAR Capital, and Point72 buyers of stock. In November, insiders active buying stock around \$47.

Hawk Vision:



Hawk's Perspective: ALK has a great setup under \$75 and recent highs and prefer the name to some other airlines given their more selective routes, low-cost model, and exposure to leisure travel

Confidence Ranking: \$\$