



AutoNation Calls Hot on Earnings Move

Ticker/Price: AN (\$47.7)

Analysis:

AutoNation (AN) trading near 40X average calls today with 4,500 April \$47 calls bought up to \$2.90 to open, starting early around \$2.50. Shares gapped higher on earnings yesterday and back above its declining 50- and 200-MA as it clears a downtrend. AN has room back to recent 52-week highs near \$52 and eventually out of a big declining channel from the 2015 highs. The \$4.16B company trades 9.82X earnings and 0.20X sales with strong FCF. AN sees a return to double-digit revenue growth in FY22 and coming off a strong quarter with SSS up 7% and improvement across all areas and margin expansion due to better pricing. AN is the largest auto retailer in the US with both new and used inventory and a growing services/financing side. They have been better at balancing inventory levels over the last year and positioned well into the seasonally hot spring selling season. Analysts have an average target for shares of \$47.25 with 2 buy, 5 hold, and 2 sell ratings. Benchmark started at Neutral on 1-9 seeing AN continuing to benefit from elevated U.S. demand and positive industry pricing in the new and used vehicle markets. They were cautious on the entry-point. MSCO positive in November seeing 2020 as another strong year given the environment remains constructive with lower interest rates, used car prices at record levels and better credit availability. They have a \$46 PT for shares. Short interest is 7% and down from around 9.5% in mid-2019. Hedge fund ownership was flat in Q3 with ESL Partners a top holder for many years. Bill Gates's Cascade Investment is the largest holder with 18.4M shares. In mid-2019, CEO Carl Liebert bought stock at \$38.95.

Hawk Vision:



Hawk's Perspective: AN is not my favorite name in the group and a pretty sloppy chart to trade here, will keep an eye on the OI, the lot sizes are a bit small too which is a concern.

Confidence Ranking: \$\$