



FEATURED OPTIONS RADAR REPORT



Call Buyer Targets Upside for Solar Operator Ahead of Capacity Expansion, Unit IPO

Ticker/Price: CSIQ (\$39.50)

Canadian Solar (CSIQ) buyer of 2,500 July 2022 \$42 calls for \$5.40 into the morning lows and shares flagging in a multi-week range under the 200-day. CSIQ has some longer-dated bull flow in open interest including spreads in August that sold the January 2023 \$25 puts 1000X to buy the \$37/\$60 call spread 1000X2000 and others with the \$25 puts sold to buy the \$32/\$60 call ratio spread. Shares are flagging in a narrow multi-week range under the 200-MA and positioned for a breakout move above \$42 that targets \$48. Longer-term, CSIQ rallied sharply in 2020 up to \$65 and the pullback this year has held the 61.8% Fibonacci retracement and wedge breakout through \$46 measures back to that peak. The \$2.33B company trades 12.9X earnings, 0.52X sales, and 3X cash. CSIQ has had a mixed year as they see demand rebound strongly while cost pressures weighed on the early part of the year. The company has continued to pass through price hikes and seeing ASPs up 20%+ from their 2020 lows which has allowed them to offset near-term pressures and see gross margins turn a corner. CSIQ has a growing project backlog which gives them good visibility into 2022 while they're ramping capacity of their next-gen HJT modules and developing one of the largest battery storage pipelines in the industry with 19 GWh under development. CSIQ has been working with regulators on a potential IPO of their CSI Solar unit as well and noting last week they expect that to be finalized in early 2022. Analysts have an average target for shares of \$49 with a Street High \$55. Wells Fargo starting coverage this week at Equal Weight seeing their move into battery manufacturing likely to be a key growth driver in the coming years but near-term EPS momentum could continue to face ASP and margin pressure due to the highly competitive nature of the solar panel market. Roth out on 11/16 seeing the US removal of the bifacial exemption/exclusion as an incremental positive for utility scale solar companies serving the U.S. market including CSIQ. Citi with a \$51 PT and remains constructive on the company given China's long-term decarbonization goals and its growing storage business. Hedge fund ownership fell 8.5%. Short interest is 10.9%.

Hawk Vision:



Hawk's Perspective: CSIQ sets up well for a range breakout above \$42 and alert set for a quick move up to \$47-\$48 but longer-term prefer to stick with the better operators in the space like **SEDG, FSLR**

Confidence Ranking: \$\$