



FEATURED OPTIONS RADAR REPORT



Large Bull Spread in Small Cap Cutera Sees Growth Upside from Acne Treatment

Ticker/Price: CUTR (\$40.80)

Analysis:

Cutera (CUTR) quietly back to multi-year highs with a spread buying 2000 December \$45 calls and selling 2000 July \$40 puts for net \$3.20 debit, a name that should see a boost in demand for aesthetic treatments with the reopening. This is an unusually large trade in the small cap and the only notable open interest now in the name. CUTR peaked near \$53 in May 2018 and sold off sharply into 2019 before recovering and then selling off during COVID. Shares are now clearing November 2019 highs with room back to those former highs. CUTR is a global provider of laser and energy-based aesthetic systems for practitioners worldwide. Its key platforms currently include: *enlighten*®, *excel HR*®, *excel V*®, *excel V+*®, *truSculpt*®, *truSculpt*® *flex*, *Secret PRO*®, *Secret RF*® and *xeo*® – each of which enables physicians and other qualified practitioners to perform safe and effective aesthetic procedures, including treatment for body contouring, skin resurfacing and revitalization, tattoo removal, removal of benign pigmented lesions, vascular conditions, hair removal, toenail fungus and women's health. The global tattoo removal market was valued at \$122.8 million in 2019 and is projected to reach \$219.0 million by 2026 growing at 8.5% from 2019 to 2026. CUTR presented at the UBS Healthcare Conference last week outlining the \$12.4B global aesthetic market with 86M annual procedures and sees large unmet market needs for Acne, Stretch Marks, and Eye Bags. It was also very optimistic on the opportunity in Japan. CUTR currently has a market cap of \$680M and trades 50X Earnings and 4.1X Sales. CUTR forecasts see revenues growing 39% in 2021 after an 18.7% decline in 2020. CUTR is working on expanding growth margins and shifting its mix more to a recurring revenue model. CUTR's COO stepped down in May. Analysts have an average target of \$40 on shares and short interest is high at 15% of the float, climbing 225% Q/Q. There has not been a lot of coverage, Piper raised its target to \$42 in March with a focus on the Acne product that could hit the market in 2022 and open up a major market that could double the revenue outlook. A Director bought \$19.6M in stock on 5-17.

Hawk Vision:



Hawk's Perspective: CUTR is a name I have liked in the past and see it still well under-valued for its market potential and solid growth outlook, though extended near-term, the \$35 level would be optimal entry.

Confidence Ranking: \$\$