



## FEATURED OPTIONS RADAR REPORT



### Bull Risk Reversals Bet on Upside in Industrial Leader

**Ticker/Price:** GNRC (\$271.68)

#### Analysis:

**Generac (GNRC)** on 8/12 saw a large bull risk reversal as 1500 November \$220 puts sold to open at \$8.77 to buy 1500 of the Nov \$300 calls at \$19.37 for a net debit of about \$10.60 or near \$1.5M. This followed some bullish action in the Sept \$230/290 bull risk reversals as well. GNRC still has over 500 December \$340 calls in open interest from 5/25 buys at \$9.00 and 500 January \$200 short puts in OI from sellers in late April at \$25.00. Shares are back near the 200 EMA at 275 after a rounded double bottom formed this summer and is now above its YTD VWAP of 263. The stock has room to the 300-round number which is the high from early June and above this has a VPOC to test at 313 and 350 if the rally can extend to new multi month highs. GNRC tends to see strong seasonal history in late summer into Fall as Hurricane season can get the stock surging with generators in high demand. The stock is up 4 of the last 5 years in August for average gains of +9.4% while October has been quite strong the past 10 years with an avg return of +11%. The \$17.5B company trades 21.2x earnings, 3.5x EV/sales, and FCF yield 3.6%. Revenues are expected to grow 39% in FY22 and +9% growth in FY23 estimated. GNRC manufacturers power generation equipment, energy storage systems, and other power products for the residential, and light commercial and industrial markets worldwide. Average analyst target is \$361, with a Street high of \$556. JPM a bull on the name with an Overweight rating and last week adjusted their target higher to \$421 citing the Inflation Reduction Act as the largest policy change in U.S. history to accelerate growth in an already inevitable energy transition to renewables. While changes are still possible as the bill proceeds to the House, investor expectations for the industry will appreciate materially with the passage of the more evenly divided Senate. Although alternative energy stocks have risen since the initial news of the bill, there is further upside for most companies in the space. Back in April, Goldman upgraded the stock to Buy and \$410 target stating that products that are in the early phases of the adoption curve, rising distribution store count footprint, and the broadest product portfolio within its top products. Short interest is at 8.7%. Hedge fund ownership fell 3.7%.

#### Hawk Vision:



**Hawk's Perspective:** GNRC is nearing 200 EMA resistance so might look to buy the next dip to 260 cluster of support. A stop of close under 240 would be ideal.

**Confidence Ranking:** \$\$