



FEATURED OPTIONS RADAR REPORT



Harley Bull Spread Sees Turnaround Strategy Lifting Shares Through 2021

Ticker/Price: HOG (\$45.95)

Analysis:

Harley Davidson (HOG) massive trade on 6/21 bought 10,000 January \$60 calls for \$2 and sold 7000 of the \$32.50 puts for \$1.31. HOG also with a buyer of 1000 deep ITM August \$38 calls for \$850K and on 6/16 the July \$49 calls bought 3500, the August \$55 calls have seen 2000X bought, and August \$50 calls bought 2000X. HOG shares broke out of a big weekly consolidation with earnings in April and have since consolidated, testing the rising 21-week moving average and holding last week. Shares do have plenty of overhead moving average and volume resistance now and need to clear \$49.50 to resume a move higher. HOG is a leading global motorcycle manufacturer and is undergoing a key strategic shift with its Hardwire 2021-2025 strategic plan which targets long-term profitable growth through focused efforts that extend and strengthen the brand and drive value for its shareholders. HOG announced the launch of LiveWire, an all-electric motorcycle brands, in May. HOG has a new CEO looking to strengthen the brand and Adventure Touring launched in May. HOG has a market cap of \$7.2B and is trading less than 14X Earnings, 13.9X EBITDA, 1.72X Sales and yields a 1.31% dividend. HOG revenues are seen rising 34.4% in 2021 after a 28.6% decline last year while EBIT margins in motorcycles at 5-7% have room to recover back near peak 15% levels. HOG is also focusing on International growth, namely China. Analysts have an average target of \$53 while short interest remains elevated at 10% of the float. BAML raised its target to \$70 on 6/2 noting strong sell-through trends, used motorcycle pricing, Pan America launch, and a reinvigorated brand strategy working. BMO was out positive on 6/21 pre-market before this trade on the management changes. Wedbush raised its target to \$60 recently on strong dealer checks. MSCO cut shares to Underweight on 4/22 not buying the new CEO's ability to meet expectations given the secular headwinds. Boston Partners has a \$500M+ stake in HOG.

Hawk Vision:



Hawk's Perspective: HOG has long been a favorite short given the secular headwinds but with shares now very cheap, facing easy comps, and a catalyst with the strategic plan and new CEO, it is a name that can work its way to \$70.

Confidence Ranking: \$\$