



LCI Industries Call Buy Sees Continued Upside

Ticker/Price: LCII \$113

Analysis:

LCI Industries (LCII) trading 65X average calls yesterday with a buyer of 2,100 April \$125 calls up to \$1.95 to open and sparking a mid-morning rally in shares. LCII closed strong and working higher after breaking out of a bull flag on 1/15 that measures up to \$118. MACD with a recent crossover and RSI with just above 60, so plenty of room to run in the name. LCII forming a big weekly inverted head and shoulders that targets \$145 on a move up. The \$2.66B company trades 16.6X earnings and 1.14X sales with a 2.4% yield and mid-20% EPS growth. LCII is guiding to revenue growth that will accelerate to 5.7% in 2020 and then 8.8% in 2021. LCII is a manufacturer of supplies and components for the RV industry as well as adjacent like trailers for boats and livestock. They're a market leader in terms of product depth as well as doing a number of M&A deals over the last 3-4 years to consolidate a fragmented industry. They see a \$9B total opportunity as they diversify away from RV and expand into more marine sales, aftermarket, and International. The truck and towing market especially a nice high-margin market that can grow into a \$7.5B TAM in time. Ultimately, the move away from such a singular focus will also make them more immune to cyclical swings in the market. LCII sees tailwinds longer-term for RVs from millennials as they continue to make up a significant portion of new campers in the \$734B outdoor recreation industry. Analysts have an average target for shares of \$101.50 with 3 hold and 2 buy ratings. Sidoti downgrading to Neutral in October citing valuation and tougher Y/Y comps for RV wholesale shipments. Northcoast has a Neutral rating for shares but noting that management has a strong track record of both financial and M&A performance. Short interest is 4.2% and down from around 10% in 2019. Hedge fund ownership jumped 33% in Q3 and insiders active in the stock back in 2018 around \$111/\$112 where a director bought \$1M.

Hawk Vision:



Hawk's Perspective: LCII is a quality name that has run a bit and eyeing a pullback for better reward/risk entry.

Confidence Ranking: \$\$