



FEATURED OPTIONS RADAR REPORT



Bulls Target Weakness in Leading Provider of Specialty Auto Parts

Ticker/Price: LKQ (\$45.85)

Analysis:

LKQ (LKQ) with 800 August \$47.50 puts sold to open for \$4.70 today, name that has 3000 August \$40 short puts in OI and buyers of the August \$50 calls near 2000X on 2/2. Shares have been weak recently but back at 38.2% Fibonacci retracement of a massive rally off the March 2020 lows. A rebound above \$48 has room to move back up to a big HVN from late 2021 near \$55. The \$13.2B company trades 11X earnings, 1X sales, and 12.3X FCF with a 2.15% yield. LKQ distributes replacement parts and components for repair and maintenance of vehicles. Their scope ranges from body and auto glass to salvage across engines, transmissions, and door assemblies. LKQ is about 55% North America and 45% Europe with wholesale collision and mechanical DIFM shops their primary vendors. They've been investing in expansion over the last couple years as they look to become a leader in the \$17B collision products market. They continue to see tailwinds from growth in diagnostics and calibration as well as specialty products as vehicles become more complex and the premium paid on hybrid parts versus ICE continues to widen. Analysts have an average target for shares of \$63.75 with a Street High \$70. Barrington recently lowering estimates to hold noting that many of the tailwinds that aided LKQ in 2021 will be gone in 2022 and its unclear how the company will manage some of the higher inflation and FX headwinds. CL King positive in February seeing mid-single digit growth this year. Hedge fund ownership fell 7% last quarter. ValueAct remains a top holder with 35M shares. Short interest is 2%.

Hawk Vision:



Hawk's Perspective: LKQ is forming a nice base and think the risk/reward is favorable in a high-quality name benefitting from broader secular tailwinds and self-help moves

Confidence Ranking: \$\$