



FEATURED OPTIONS RADAR REPORT



Unusual Size Call Buy in Auto Dealer with Freight Exposure

Ticker/Price: PAG (\$100.5)

Penske (PAG) unusual activity on 2/15 with 2100 calls trading on the day which is 35X average with a focus in August \$100 calls at \$11 for 1000X and 200 each of the \$95 and \$105 calls. PAG also a smaller unusual buy of 300 October \$125 OTM calls at \$4.40 offer with the action coming ahead of the AutoNation (AN) earnings report. PAG shares have recently been testing near the rising 200-day moving average and staying above forming a weekly bull wedge that would break out above \$104 and target new highs. PAG operates automotive and commercial truck dealerships with 304 retail automotive franchises, of which 142 franchises are located in the U.S. and 162 franchises are located outside of the U.S. PAG offer overs 35 vehicle brands with 71% of our retail automotive dealership revenue in 2020 generated from premium brands, such as Audi, BMW, Land Rover, Mercedes-Benz, and Porsche. PAG has a market cap of \$7.7B and trades 7.3X Earnings, 6.7X EBITDA, and 7.45X FCF with a 1.85% dividend yield. PAG consensus forecasts see revenues rising 5-7% annually the next two years as it works against tough comps. PAG reported strong numbers last week including its CarShop locations with very strong metrics. It noted that Class 8 retail sales are expected to increase over the next 2 years, certainly, will provide tailwinds to the commercial truck and truck leasing businesses. Penske Transportation Solutions is also posting record numbers and PAG owns 28.9% of that venture. PAG is also expanding its digital footprint. Analysts have an average target of \$135 and short interest is 5.9% of the float. MSCO cut shares to Underweight in September seeing secular industry headwinds from electrification and DTC models. Truist raised its target to \$120 in October noting PAG's exposure to not only positive auto industry dynamics but also the robust freight environment.

Hawk Vision:



Hawk's Perspective: PAG is at an interesting spot on the chart and a quality company, looks tradable versus \$94.

Confidence Ranking: \$\$