



FEATURED OPTIONS RADAR REPORT



Bulls Position for Big Upside in Peloton

Ticker/Price: PTON (\$113)

Analysis:

Peloton (PTON) saw a surge in bullish activity to close last week with 675 January 2023 \$160 ITM puts sold to open for \$2.5M, a buyer of 450 March 2022 \$135 calls for \$650K, buyers of 1900 September \$140 calls, and the October \$150 calls with buyers active for 4000X on the day. PTON on 6/10 saw 2000 January \$140 calls add to open interest from a buyer, on 6/7 the October \$160 calls bought 2500X, and has seen accumulation in July \$115 calls. PTON shares pulled back sharply from early 2021 highs but recently showing some momentum as support held at a key volume node and now weekly MACD nearing a bull crossover. PTON still has some resistance in the \$114-\$120 zone while the \$125 level would be a 50% retracement bounce. PTON closed last week above key weekly moving averages, namely the 21-week, and also above VWAP off its record highs. Peloton is the largest interactive fitness platform in the world that pioneered connected, technology-enabled fitness, and the streaming of immersive, instructor-led boutique classes. PTON announced a deal in December to acquire Precor in an effort to establish U.S. manufacturing capacity, enhance R&D capabilities, and expedite penetration into select areas of the commercial market. PTON has been focused on rolling out its Bike+ and Tread products and sees a longer term path towards 100M subscribers and PTON feels it is currently only 7% penetrated into its addressable markets. PTON should be able to generate 35-40% hardware margins and 75-85% subscription margins with a long-term path to 40% EBITDA margins. PTON also recently acquired Aiqudo, Atlas Wearables, and Otari adding expertise in wearable devices, artificial intelligence, digital voice assistants, and interactive workout mats. PTON shares recently reversed off lows following its recalls of its Tread product that removes a temporary overhang. The \$33.77B company is trading 8X FY21 EV/Sales with revenues set to rise 119% in 2021 after a rise of 99%, 110% and 99.6% the prior three years while FY22 seen at 32.5% growth as it normalizes. Analysts have an average target of \$132 on shares with short interest elevated at 8% of the float. Loop Capital started shares Buy on 6/7 saying the impact of the recalls will be short-lived and that management's guidance likely bakes in an excessive amount of conservatism. It also notes that Peloton could easily raise subscription prices and its pricing power potential is underappreciated by investors. Notable top holders include Ballie Gifford, Tiger Global, Whale Rock, and D1 Capital.

Hawk Vision:



Hawk's Perspective: PTON looks fantastic as it works out of this intermediate flag, and the growth story is full intact.

Confidence Ranking: \$\$