



FEATURED OPTIONS RADAR REPORT



Bulls Start to Support the Reward/Risk Profile of an EV Disruptor

Ticker/Price: QS (\$21.25)

Analysis:

QuantumScope (QS) shares made a crazy move in late 2020 into early 2021 to \$130 from \$12 and have since been steadily declining but starting to see sentiment in the options market shift more bullish in recent trades. QS has recently seen some large put sales with 2500 February \$20 sold for nearly \$1M and 2000 January \$17.50 sold to open. QS also with 3000 February \$17.50 puts sold to open for nearly \$1M on 8/19 and the December and January \$20 puts each sold to open in since on 7/27 and 8/3 for over \$2.5M combined premium. QS has also seen the February \$25 calls bought 3000X on 8/20 and 10,000 November \$25 calls bought on 8/18. On the chart QS shares basically did a round-trip and retested the main high volume node of support at \$20 which it has held above while weekly MACD has been climbing and nearing its first move into positive territory. Near-term a move above \$22.65 would inflect a recent downtrend. QuantumScope is developing next generation battery technology for electric vehicles and other applications. QS has spent the last decade developing a proprietary solid-state battery technology to meet this challenge of limitations that affect range, useful life, charging time, cost and safety of EV batteries to allow for more widespread adoption. The company believes that its cells could provide substantial improvements over today's lithium-ion cells with benefits including 80-90% greater energy density, a charging rate of <15 minutes for an 80% charge, and a 15-20% reduction in cost of cell manufacturing (driven primarily by eliminating the anode host material), along with safety benefits (traditional lithium-ion cells use a liquid electrolyte, which is flammable). QS has received more than \$2B in capital investment with \$300M spent on development thus far. QS has a strong partnership with Volkswagen who has announced plans to launch more than 70 new EV models and build more than 25 million vehicles on electric platforms by the end of the decade. The JV permits QS to work in parallel with other automotive OEMs and non-automotive companies to commercialize the technology. QS has plenty of key milestones ahead with 2022 seen as a year for Customer Prototype Sampling and QS-0 Implementation, 2023 for QS-0 producing test-cars, and commercialization in late 2024 or 2025. QS recently provided positive updates on its 10-layer cells. QS has a market cap of \$8.7B and is being valued on future prospects with no revenues seen for many years to come but the company continues to expect to enter 2022 with greater than \$1.3B in liquidity. QuantumScope believes its balance sheet will enable it to fully fund QS-0, start QS-1 production at 1 GWh scale, and contribute capital to the subsequent 20 GWh expansion of the QS-1 facility. Analysts have an average target of \$37 with short interest elevated at 18.8% of the float. Goldman is Neutral noting several positive technical milestone developments and sees QS potential to gain material share in the EV battery market it estimates at a \$300B TAM in 2020 but remains on the sidelines due to the long time to market with no material revenues until 2025/2026 and a challenging competitive landscape. JPM recently started at Neutral with a \$35 target citing risks of commercial success against the upside of potentially disrupting a massive industry.

Hawk Vision:



Hawk's Perspective: QS was the short of a lifetime earlier this year at a \$50B+ market cap but here I start to get intrigued, albeit, a very tough name to value with a lot of risks but potential for a major upside payout as well, one to trade with tight risk management.

Confidence Ranking: \$\$