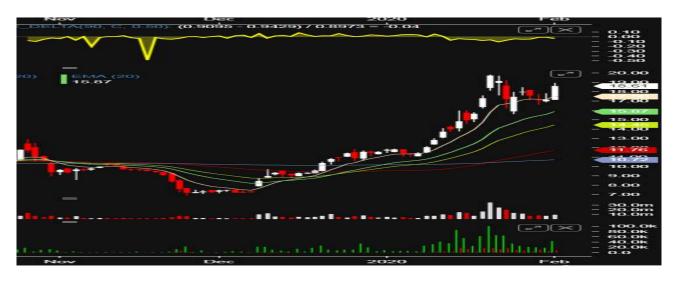
Bulls Position for Eventful 2020 for Virgin Galactic

Ticker/Price: SPCE (\$18.60)

Analysis:

Virgin Galactic Holdings (SPCE) with a notable trade on 2/3 as 5000 January \$20 calls were bought for \$4 as the \$12.50 calls adjusted some positions. SPCE has frequently seen bullish positioning since bottoming in early December 2019, across multiple strikes and expirations, the April \$20 calls with 10,000 in open interest with 7500 opening 1/22, and very large size in January 2021 and January 2022 LEAPS. SPCE shares recently consolidated in a bull flag on the daily and started this week moving out of that pattern, the rising 13 EMA supportive this entire move higher, and the next leg would target a run to \$23.50. The \$3.35B company has scarcity value as one of the only ways to participate in the human spaceflight theme. It expects to launch commercial operations in 2020 and is really two entities with The Spaceline a provider of space travel experiences and OEM a maker of the spaceships. It sees TAM expansion via efficiencies of scale that lower the cost of travel with individuals of \$1M-\$5M the eventual target market, a group of nearly 40M people. It also is a leader in Hypersonic point-to-point travel that can significantly reduce travel time and sees the \$900M commercial aviation and \$600B commercial passenger markets as massive opportunities. The US Chamber of Commerce estimates by 2040 the commercial space industry will reach \$1.5 Trillion, or 5% of US GDP, and there are significant technological advancements occurring. SPCE estimates its current \$10M+ high net-worth target market at 2.378M individuals for 2023 and luxury experiences are seeing higher portion of expenditures, a known trend. It currently estimates 5 vehicles by 2023, 270 annual flights, 1,565 passengers flow and \$590M in annual revenues. It also sees 73% gross margins in 2023 and EBITDA positive by 2021 that then grows 36% and 46% the following two years. SPCE short interest currently stands at around 25% of the float. MSCO was out positive in early December with a \$22 target seeing \$10/share in value for space tourism and \$12/share in value for Hypersonic. Morgan Stanley estimates Virgin Galactic can ramp its flight offerings to serve more than 3,000 passengers by 2030 and sees a key catalyst as any evidence of even a single person returning safely from space. MSCO acknowledged that there are many risks and unknowns to the story, including the possibility of fatal accidents, regulatory obstacles, limited market acceptance, competition, insufficient economics, and liquidity constraints, but overall sees the risks offset by the potential scale of the reward. Hedge Fund ownership rose 15% in Q3 filings, Suvretta Capital taking a notable 1.28% weighted position, and Samlyn Capital at 0.83%.

Hawk Vision:



Hawk's Perspective: SPCE looks like an incredible potential winner over the very long term and a name worth trading the technical momentum as long as the trend holds.