



FEATURED OPTIONS RADAR REPORT



Bulls See Value in Laggard Automaker Pursuing Ambitious Software Push

Ticker/Price: STLA (\$16)

Analysis:

Stellantis (STLA) with 3,000 January 2024 \$12.50 puts sold to open this morning for \$2 and follows sellers in the September \$17.50 puts and January \$17.50 puts recently. The January 2024 \$25 and \$35 calls remain in open interest as well from buyers in January, the former over 3000X. Shares ran hard from the March 2020 lows and have now pulled back to the 38.2% Fibonacci retracement at \$15. A move back to the prior HVN at \$20 sets up for a potential run at 52-week highs and measured run to \$27. The \$49.5B company trades 3.9X earnings and 0.45X sales. STLA is an automaker, the former Fiat Chrysler, that manufactures under brands like Alfa Romeo, Chrysler, Dodge, Fiat, Maserati, and Opel. The company has two highly profitable brands – Jeep and Ram – and gets almost 60% of their profits from the two in North America. STLA has been viewed largely as a laggard on the tech side in automotive but they announced plans to roll out more EVs over the next four years including their premium brands like Alfa Romeo. STLA is targeting €20B in annual revenues by 2030 as they boost their next-gen strategies including a focus on software with three all-new, AI-powered tech platforms arriving in 2024. They have a number of smart partnerships in place like a December deal with Hon Hai to manufacturing semiconductors which will give them strong visibility in case of further shortages. Analysts have an average target for shares of \$24 with a Street High \$28. RBC positive in January noting that deal synergies appear realistic and electrification could boost margins over the long-term but saw better values at the time in peers like Volkswagen. Short interest is 0.7%. Hedge fund ownership rose 3.5%.

Hawk Vision:



Hawk's Perspective: STLA is an intriguing play as a catch-up on the EV theme and I think there's a lot of value owning the stock closer to the short put strike, so with plenty of time on the options, one to be patient with and keep on the radar for now

Confidence Ranking: \$\$