



## Large Bearish Bets in Burlington Stores as Momentum Stalls

**Ticker/Price:** BURL (\$162)

### Analysis:

**Burlington Stores (BURL)** IV rising with June \$170 ITM puts being bought \$13.20 to \$13.50 to open for 1,375X contracts, sizable bearish position and put activity running 3X daily average and now moving to 3,075X. BURL has long been a top performer in Retail and outperformed in 2018 but sold off last earnings report and now has slowly moved back to that level as well as YTD VPOC resistance near \$167. The weekly RSI downtrend and large topping pattern can measure to a move down to \$120 or lower on the next break under \$146. The \$10.8B off-price retailer trades rich at 20.4X Earnings, 1.62X Sales and 31.5X FCF and will next report at the end of May. BURL has grown revenues around 9% each of the last three years and sees 8-9% growth the next three years with EPS growth seen 10-15% annually after ramping 40%, 35%, and 47% the last three years, a potential multiple compression phase due. EBITDA margins have climbed to 11.9% in FY18 from 8.7% in FY13. Sales are well distributed among Women, Men, Youth, and Footwear/Accessories. BURL has invested heavily in Technology to become one of the more efficient operating retailers. Comp Sales have started to slip from 4.5% in 2016 to 3.4% in 2017 and 3.2% in 2018. Analysts have an average target of \$169 on shares and short interest is 4.2% of the float. TAG downgraded shares to Perform with a \$165 target on 3-8 after execution miscues and recent lackluster sales performance. Wedbush was out last week with a \$162 target and sees trends inflecting positively. Hedge Fund ownership fell modestly in Q4 filings.

### Hawk Vision:



**Trading Strategy:** BURL sets up as an attractive short as the reasons for its premium valuation are fading and this gap fill likely a technical spot shares can reverse.

**Confidence Ranking:** \$\$\$