



Call Buyers in Capri Ahead of Tapestry Earnings

Ticker/Price: CPRI (\$42.25)

Analysis:

Capri (CPRI) with a buyer of 2,311 June 7th (W) \$42.50 calls for \$3.70 into weakness and follows buyers in the May \$40 calls for over \$650K last week and sellers in the October \$40 puts. CPRI also has 58,000 January 2021 \$75 calls in OI from large buys when its ticker was KORS. Shares are sitting just above January VPOC and a high-volume node from earlier this year. A move back above \$45 has room out to \$50 recent highs and a gap back to \$55+. The \$6.57B company trades 8.8X earnings, 1.29X sales, and 8.27X FCF with high-single digit EPS growth and sales growing 16.9% in FY20 and 4.6% in FY21. CPRI is coming off a better than expected quarter as they expect a turnaround in the 2H against easier comps. Luxury has been an a big area of fear given the trade war's impact on Asian buyers but seeing good results and commentary this quarter from peers like LVMH which called out strength in handbags. Analysts have an average target for shares of \$60 with 5 buy ratings and 2 hold ratings. Jefferies positive on 3/1 arguing the market is undervaluing their stable of brands, global growth potential, superior margins, and strong cash flows. They have an \$89 PT for shares. "Standalone value of KORS brand is also dislocated. Company P/E <10x while earnings revisions are likely higher with multiple tailwinds and catalysts ahead." Short interest is 4.4%. Institutional ownership fell 1%. Activist Eminence Capital with a notable 9.79M shares and the largest shareholder.

Hawk Vision:



Trading Strategy: CPRI appears weak technically and have to see if can base above \$42 before taking much interest in the name, seeing healthier apparel plays out there.

Confidence Ranking: \$\$