



## Five Below Calls Accumulate into Earnings

**Ticker/Price:** FIVE (\$127.70)

### Analysis:

**Five Below (FIVE)** another 2,000 May 31st (W) \$135 calls being bought yesterday from \$1.70 up to \$1.90, spot where buyers were active earlier in the week. FIVE has also seeing the May 31st (W) \$140 calls bought over 1,600X recently. The \$7.19B retailer trades 33.7X earnings and 4.6X sales with low20% EPS growth. FIVE has seen 20%+ revenue growth in recent years and sees 21.5% and 20.9% through FY21. They're expected to report earnings in early June. FIVE has benefitted from being one of the strongest 'treasure hunt' stores which has isolated them from e-commerce share losses while keeping traffic strong. They currently have about 750 stores in the US with aggressive plans to expand out to potentially 2,500, according to their CEO. Their sourcing of goods is not heavily reliant on China so the potential impact from tariffs is minimal vs other areas of retail. FIVE has reported positive comps in nineteen of its last twenty quarters, as well as each year dating back to 2011. They see comps in the 3- 4% range. Goldman was positive on 3/28 adding shares to their Conviction List. "We believe shares are trading at a discount to growing intrinsic value as building brand awareness, robust new store performance, and tailwinds from initiatives such as remodels as well as a strong 2019 IP calendar should sustain double-digit top- and bottom-line growth" In mid-April, BAML upgraded to Buy with a \$150 PT. They see management with a lot of levers to drive outsized comp and earnings growth. They believe FIVE's strategy of continuously reinvesting in its products to improve its offering will drive low to midsingle digit comp growth through 2021. Institutional ownership fell last quarter. Point72, Hitchwood, and Victory Capital buyers. Short interest is low, 4.7% of the float and down from over 24% in early 2016.

### Hawk Vision:



**Trading Strategy:** FIVE has earnings next week and has been a long favorite name in Retail with the likes of OLLI. This pullback retest looks attractive as an opportunity into earnings.

**Confidence Ranking:** \$\$