



Urban Outfitters Seen Continuing Lower

Ticker/Price: URBN (\$21.15)

Analysis:

Urban Outfitters (URBN) with 5,000 August 23rd (W) \$22 puts bought today for \$1.45 to \$1.65 ahead of 8-20 earnings. URBN has 3,000 September \$22/\$19 put spreads in OI from July buyers as well as 1,000 September \$21 puts. Shares have a weak history recently, lower four of the last five. URBN is nearing a bear flag breakdown today to new lows with a measures target to \$18 while longer-term trend remains bearish unable to close above the 50-day MA since early April. The 2017 lows are lower near \$16.50. The \$2.16B company trades 8.15X earnings, 0.54X sales, and 7.4X FCF. URBN sees EPS growth slowing in FY22 down to 2.5% from 11.5% and sales growth down from 3.9% to 2.8%. Margins rebounded marginally in 2018 but beginning to inflect negatively last quarter as the level of promotions rises. They're also entering a new investment cycle with the launch of their clothing rental service against tough, well established competition, investments in China, and revamped digital platform. URBN has also been working on reducing their exposure to tariffs but still widely exposed to the upcoming tranche. Analysts have an average target for shares of \$37.50 with 7 buy ratings, 9 hold, and 1 sell. MKM negative on 5-22 lowering their PT to \$28 noting that the recent earnings have been worse than appears given lower SG&A and lower tax rates have obscured weakening comps and operating margins in their retail segment. URBN's outlook is likely remain murky as they face tough comps into the volatile Fall season selling. Short interest is 9.4%. Hedge Fund ownership rose 15.8% in Q1. Samlyn Capital a buyer of put options. Holocene, Shellback Capital, and Buckingham all selling their stakes.

Hawk Vision:



Hawk's Perspective: URBN clearly looks vulnerable to more selling with Retail heavily impacted from the latest China tariffs though with IV's elevated now and many names oversold, best to wait for weak bounced to re-target put names.

Confidence Ranking: \$\$