



Large Puts Accumulate in Hanesbrands

Ticker/Price: HBI (\$15)

Analysis:

Hanesbrands (HBI) buyers of more than 7,850 January \$16 puts up to \$2.20 this morning, same spot where 7,000 were bought yesterday. HBI is also seeing some smaller January call sales today and has 15,000 January \$13 puts in OI from buyers recently. The October \$16 and \$15 puts bought with 1,500 in OI from buyers as well. Shares are rallying this week as we have seen some of the year's weakest names outperform but running into the declining 50-MA and stalling out today. HBI has room back to \$13/\$12 and the December lows with a breakdown targeting single-digits. The \$5.53B company trades 8.5X earnings, 0.79X sales, and 16.75X FCF with a 4% yield. HBI is seeing EPS growth slow, expected to be flat in FY20 after 15% growth this year, while sales seen falling 1.5%. Margins have been flat over the last two-years and potential for deceleration as commodity pressure, labor inflation and investments in product and international weigh. HBI has seen strong demand for their Champion brand with ex-mass sales up 50% in Q2 but down from 75% in Q1. Analysts have an average target for shares of \$17.5 with 2 buy ratings and 7 hold. BAML with a \$17 PT and Neutral rating for shares. On 8-1, the company noting that much of the 2H guide assumes margin expansion where they have been challenged due to deleverage on lower innerwear sales. They also think it's reasonable to assume Champion sales will slow as the business matures, one of the bright spots recently for the company. Short interest is 12.4%, rising this most recent reporting period from 9.2%. Hedge Fund ownership fell 11.25% in Q2. Lyrical Asset Management and Diamond Hill two concentrated holders. HBI has seen some insider buying into the recent lows in August with the CEO adding \$147K in stock at \$14.73.

Hawk Vision:



Hawk's Perspective: HBI remains troubled and like many of these high short interest weak fundamental names rallying, expect the downtrend to resume shortly.

Confidence Ranking: \$\$