



Longer Term Bulls See Rebound in Capri

Ticker/Price: CPRI (\$32.50)

Analysis:

Capri (CPRI) with buyers today opening 4,000 February \$40 calls for \$1.80 and also 4,000 of the \$42.50 calls for \$1.25. CPRI has seen buyers open more than 10,000 November \$30 calls in late August while 10,000 of the February \$37.50 calls opened recently as well. CPRI has seen insiders active recently as well. In August, the CEO Bought \$10M in stock at \$27.48 while the CFO bought \$400K at \$34.50 earlier in the year. Shares have rallied off the recent lows and nearing a downtrend break from the October 2018 highs which were up near \$75. Above \$35 shares have room back to a VPOC at \$45 and then longer-term gap back to \$65. The \$5B maker of designer handbags and accessories trades 6.2X earnings, 0.93X sales, and 11X FCF with estimates for high-single digit to low-double digit EPS growth. CPRI is managing the tariff situation in retail well and comps growth at Versace is helping offset weakness in Michael Kors and Jimmy Choo. CPRI laid out a plan in June to build their 3 pillar brands to over \$8B in sales driven by expanding their retail footprint, new products for KORS, and expanding Men's collections. They also continue to see a lot of room for cost synergies on the production side in sourcing, manufacturing, and design to grow EPS. Analysts have an average target for shares of \$54. Jefferies raising their PT to \$80 on 9-18. The firm thinks the long-term opportunity in Asia is being overlooked, while its near-term investments should drive improved stability and multiple expansion. Short interest is 5.3%. Hedge fund ownership fell 4.85%. Activist Eminence Capital has a 9M share position, their fourth largest and added last quarter. They also have call options.

Hawk Vision:



Hawk's Perspective: CPRI has long been a value trap though breaking a 6 month downtrend a positive potential inflection. With plenty of consumer and China uncertainty remaining, not looking to make a play here.

Confidence Ranking: \$\$