



Bears Pile into Kohl's Puts on Worrisome Holiday Spending Outlook

Ticker/Price: KSS (\$52)

Analysis:

Kohls (KSS) size buyer of 5,000 November 22nd (W) ITM \$55 puts up to \$4.40 into 11-19 earnings, weak history down five of the last seven. KSS also with 1,350 November 29th (W) \$55 puts bought up to \$4.60 and follows 4500 November 22nd (W) \$51 puts bought yesterday. Shares are back at multi-month resistance at \$54 with the declining 200-MA just above at \$57.50. A move lower out of this recent run higher targets \$47.50 and then further pressure back to the 2017 lows around \$38. The \$8.58B retailer trades 10.15X earnings, 0.43X sales, and 13.86X FCF with a 5% yield. KSS has seen estimates come down sharply all year and now expecting FY21 EPS to slow to 1.85% growth with FY22 down 3%. Sales are expected to be flat. KSS has not been immune to general slowdown that department stores have faced in recent years as online, Off Price, and specialty retail gain share. The company's big focus has been on their partnership with Amazon returns which rolled out nationwide in July after testing in some markets. The deal is expected to benefit KSS by driving more foot traffic to stores but questions remain on conversion of that traffic into sales. Also, KSS said on their last call that they plan big boosts to capital spending on both customer service and logistics to support the program which may weigh on margins. Analysts have an average target for shares of \$61. Deutsche Bank with a \$52 PT noting that full-year EPS and comp guidance maybe too aggressive as it assumes sustaining positive comps in the back half along with an improvement in margin trends. Short interest is 12% but down a bit from the 19% highs in June. Hedge fund ownership plunged 30% in Q2 with big sales from Element Capital, Samlyn Capital, AQR, and RenTech. Melvin Capital holds put options with a 950k share equivalent.

Hawk Vision:



Hawk's Perspective: KSS falls into the Department Store group I continue to see little future for and the puts make a lot of sense into another year of a weak retail environment.

Confidence Ranking: \$\$