



## Skechers Bulls Prepare for Strong Finish to 2019

Ticker/Price: SKX (\$35.55)

### Analysis:

**Skechers (SKX)** buyer 1000 October \$34 calls \$1.90 to \$1.95 aggressively and has 3900 October \$35 calls in open interest after size buys on 9/6 as well as 1600 of the October 25th (W) \$35 calls. SKX has a bullish distribution of open interest in January 2020 expiration as well with calls in the \$30 and \$35 strikes and short puts at the \$25 strike. SKX also has 1500 October \$32 short puts from a trade on 9/6. Shares have been pushing higher since bottoming late 2018 and recently with a weekly bull flag above its 8 week EMA. A move above \$37 sets up for a run to \$40 or higher. The \$5.55B footwear company trades 13.9X Earnings, 1.16X Sales and 15.9X FCF with a strong balance sheet and plenty of cash. It will next report on 10-22 and estimates this year are for 9.9% topline growth while EPS set to rise 18%. Shares are higher 3 of the last 4 reports including last quarter when it posted strong numbers and guidance into back-to-school season. In Q2, international sales jumped 19.8% Y/Y vs just 1.5% growth in its US business. That international growth would have been even higher, if not for currency fluctuations. Analysts have an average target of \$42.50 and short interest at 6% of the float has come down substantially. Wedbush out last month with a \$46 target noting "US wholesale inflection remains on track for 3Q, with a 4Q acceleration and sustained gains into at least spring 2020. DTC should also benefit from strengthening product, favorable 2H comparisons (as comps accelerated into 3Q), and a revamped rewards program and planned website redesign (which may drive sales upside; both likely previously unknown to the market). International growth also seems on track with particular strength across Europe, India, and China." Hedge Fund ownership jumped 15% in Q2 filings, Tremblant and Snow Capital concentrated holders.

### Hawk Vision:



**Hawk's Perspective:** SKX actually looks enticing with strong price-action, attractive valuation, and upside potential driven by International and DTC investments. I like the set-up into this quarter.

**Confidence Ranking:** \$\$