



Put Buys in Ollies Target Earnings Against Tough Comps, Structural Issues

Ticker/Price: OLLI \$62.15

Analysis:

Ollie's Bargain Outlet (OLLI) with a size buyer of 2,000 December \$65 puts this morning for \$5.80 to \$5.90, trading 4X average volume and the most notable open interest in the name. Shares gapped lower on earnings in August and recently testing the gap around \$67.50 and rolling over. We got a bearish 8/20 EMA crossover this week and room back to \$55 and then new 1-year lows with a measured move to \$45. The \$4B retailer trades 27.6X earnings, 3X sales, and 51X cash. Estimates came down a bit last quarter but still seeing mid-teens EPS growth and revenue growth each of the next two years, lofty estimates. OLLI is coming off a weak quarter with the first negative comps as a public company, margin contraction, and a sizable cut to their outlook. OLLI is facing higher costs from supply chain optimizations as well as inventory issues stemming from a the rapid expansion of their footprint. Q4 will also be a tough comp. Short interest has risen to 14.9% of the float, up from around 5.5% in January and 9.6% in September. Hedge Fund ownership fell 50% in Q3. On 9-13, a director bought \$129k in stock at \$64.66. Analysts have an average target for shares of \$78 with 8 buy ratings and 3 hold. RBC upgrading to Outperform on 10-15 seeing long-term potential in the name although Q4 and Q1 likely to still be difficult. Loop Capital lowering their PT to \$75 and noting that there remains a lack of visibility going forward as management didn't foresee the problems in Q2 and could take some significant changes to right the ship. CSFB with a \$78 PT seeing last quarter as one of the biggest operational missteps they can recall for OLLI and while there's a lot of potential long-term it's a show-me story near-term.

Hawk Vision:



Hawk's Perspective: OLLI is clearly an earnings-driven play with results expected in early December and given the elevated short interest and potential for their structural issues to bleed through more than one quarter, maybe a nice opportunity for puts.

Confidence Ranking: \$\$