



## Ross Stores Unusual Call Buyer

Ticker/Price: ROST (\$115.50)

### Analysis:

**Ross Stores (ROST)** breaking out of range to new highs and 1000 May \$115 calls being bought to open \$7.60 to \$8.10. ROST does not see a lot of activity but has 1500 January \$105 calls in OI from a February trade and 500 January 2021 \$120 calls bought on 10/15. Despite the struggling Retail environment ROST has continued to be a top operator and shares are +36% YTD, working higher in a weekly tight rising channel with near-term upside room to \$118-\$120. The \$40.5B Department Store Co. trades 22.9X Earnings and 30.5X FCF with a 0.9% yield. ROST recently posited another solid quarter beating estimates with 5% comps, topping last year's 3% level while operating margins came in above expectations as well. Forecasts call for continued 6-7% topline growth the next few years and 9-11% EPS growth. Ross is the largest off-price apparel and home fashion chain in the U.S. with 1,550 stores in 39 states, the District of Columbia, and Guam. Home Accents & Bed/Bath is the largest contributor of sales at 26% along with Ladies at 26% and Men's, Children, Shoes and Accessories smaller segments. It sees the potential for over 3000 stores longer term with opportunities in the Midwest one key strategic area. Analysts have an average target of \$118 with short interest at a five-year low of 1% of the float. TAG raised its target to \$118 on 11/22 citing accelerating comps with higher traffic and average basket sizes, though Neutral on the elevated valuation. RBC initiated coverage at Outperform with a \$120 target on 11/11 citing market share gains and stabilizing margins as freight headwinds subside as well as inventory control impact. MKM raised its target to \$121 positive on upside comps potential with strength in children's and home. Loop Capital raised its target to \$125 and sees comp guidance conservative and 21X earnings as an attractive level. Wells Fargo with a \$125 target notes that although valuation is near all-time highs investors are rewarding business executing despite a choppy macro and weak retail sector. Hedge Fund ownership declined 8.7% in Q3 filings, Third Point exiting its stake.

### Hawk Vision:



**Hawk's Perspective:** ROST has long been best of breed and continues to set up that way in a tough Retail sector where it along with **TJX**, **BURL**, **WMT**, and **TGT** outperform.

**Confidence Ranking:** \$\$