



Call Buyers Target BJs Wholesale Amid Stockpiling

Ticker/Price: BJ \$26.31

Analysis:

BJs Wholesale (BJ) with buyers active yesterday for 1,350 August \$25 calls up to \$3.70 to open, unusual volume for the name and follows 1200 August \$22.50 puts sold to open recently. Shares are coiled in a narrow range under \$27.50 and riding the 20-MA higher since mid-March. BJ has been range-bound since its mid-2019 IPO and long-term range breakout targets \$36. The \$3.5B discount store trades 14.2X earnings, 0.27X sales, and 22X FCF. Prior to COVID-19 they were guiding to accelerating EPS growth in the low-double digits and low-single digit revenue growth. BJ is a warehouse club which offers grocery and general merchandise much like a Sam's Club or Costco but on a smaller scale. They have 5.5M members across 217 clubs and 16 states mostly on the Eastern seaboard. They have strong renewal rates up around 87% from 84% in FY15. They have a new management team which is focused on driving margins higher and investing in their omnichannel capabilities. The warehouse club market remains a huge opportunity vs traditional grocery growing 4.5% CAGR since 2007 to \$167B TAM. BJ sees capitalizing on greater trends within the subscription model, better demographic trends from millennial shoppers, and long-term stickiness from the treasure hunt format. Analysts have an average target for shares of \$30. Loop Capital raising their Pt to \$35 on 4-14 citing a likely influx of new members due to COVID-19 as well as higher ticket. Longer-term, BJ likely holds up well adding that recessions have historically been a favorable operating environment for warehouse clubs. Wells Fargo with a \$31 PT as they think the government stimulus program has provided meaningful support to many struggling staples retailers, which could help jumpstart the fundamental top-line recovery that has so far eluded management. Short interest is 8.5%. Hedge fund ownership was flat. Eminence Capital with 2M shares.

Hawk Vision:



Hawk's Perspective: BJ is an interesting name that can clearly post strong numbers in the current environment, although prefer **COST** overall for club exposure

Confidence Ranking: \$\$