



## Dollar Tree Bulls Position for Strong Numbers

Ticker/Price: DLTR (\$81.2)

### Analysis:

**Dollar Tree (DLTR)** late day buys 1500 May 29<sup>th</sup> (W) \$82 calls \$2.90 to \$3 positioning for 5-28 earnings after a number of strong reports from discount retailers this quarter due to COVID-19 market share shifts. DLTR still has 1750 of the May 29<sup>th</sup> (W) \$80 calls in OI from a buyer on 5/18, though 2000 June \$80 calls sold to close on 5/21. DLTR does have 2900 June \$80 short puts in open interest as well as some upside calls in June strikes, while not much notable longer dated positioning. DLTR had a Director buy 2,500 shares in December and March for a total of around \$210,000 at \$89.02 in December and \$75.26 in March. DLTR shares have closed lower the last three reports after being higher the previous three, a six quarter average max move of 7.5%. DLTR options currently pricing in a 7.75% earnings move and 30 day IV Skew +5.7 compares to the +1.9 52-week average. DLTR shares have formed a nice ascending triangle basing pattern and above \$82 have clear room to \$87.50. The move would also move shares out of a long weekly downtrend and be an inflection move to shift the trend. The \$19.4B company trades 15X Earnings and 0.82X Sales with a ROIC around 12% the last two years. DLTR has struggled in recent years with the Family Dollar merger integration and has been optimizing stores while also launching Dollar Tree Plus 2.0. Analysts have an average target of \$89 and short interest at 1.6% of the float down 27% Q/Q dropping to a one year low. On 4/1 Citi upgraded shares to Buy with a \$103 target expecting increased traffic from COVID-19 with stores remaining open. Goldman started shares Buy earlier this week with an \$89 target seeing dollar stores positioned well for the current macro backdrop and sees sales initiatives lifting same-store-sales. Goldman came out mid-week recommending call options into earnings with expectations of a beat, highlighting “DLTR’s multiple top-line initiatives, including Dollar Tree traffic initiatives (adding freezers and coolers to stores), renovation of H2 stores (improving adjacencies, adding more consumables) and the recently launched Dollar Tree Plus! 2.0 (adding discretionary margin-enhancing product mix).” Hedge Fund ownership rose 0.48% in Q1 filings, top holders Akre Capital and Fiduciary Mgmt. both reducing position sizes.

### Hawk Vision:



**Hawk's Perspective:** DLTR sets up nicely here though I have always preferred **DG** to it, though upside June \$85/\$90 call spreads at \$1.50 look attractive for an earnings play.

**Confidence Ranking:** \$\$