



Bullish Action in Big Lots into Quarterly Results

Ticker/Price: BIG (\$29.85)

Analysis:

Big Lots (BIG) aggressive early buyer of 5,000 June \$30 calls up to \$3.10 and name with little notable open interest currently although does have 1000 July \$22.50 short puts from late April. Shares are looking to clear a multi-week base today above \$30 after breaking out of a downtrend from the 2018 highs recently. On the longer-term look, BIG has a volume gap back to around \$40 and eyeing a move above weekly cloud resistance for the first time since March 2018. The \$1.11B discount retailer trades 8X earnings, 0.2X sales, and 21X cash with a 4.2% yield and limited debt without any notable short-term maturities. BIG also just raised \$550M in cash from a sale-leaseback of some distribution centers. BIG is an activist situation with Macellum and Ancora Advisors taking an 11% stake in March and pushing for a refreshed board and a more clearly established monetization plan for their stores beyond even the recent action. They see as much as \$6/share in EPS power for the company from the current \$2.80/share as they improve operations. BIG gave a very positive sales update in late April with positive comps in both March and April as well as a significant acceleration late into the quarter. Analysts have an average target for shares of \$22.50. Piper upgrading to Buy on 5-1 seeing them as a long-term beneficiary of COVID-19 with increased retail closures and more closeout opportunities. Telsey upgraded to Outperform on 5-4 with more confidence in their strategic transformation plan and financial position which will allow them to aggressively buy back stock and materially boost 2021 EPS. Short interest is 19.5% and sitting at 4-year lows, steadily lower since 2017. Hedge fund ownership was flat last quarter. Maverick Capital taking a new stake. The last notable insider buy was right around current levels in 2018 when the CEO bought \$250,000 in stock at \$29.46.

Hawk Vision:



Hawk's Perspective: BIG is extended near-term but may be a surprising winner out of this current environment with its discount model.

Confidence Ranking: \$\$