



Upside Call Spreads Bought in Decker's

Ticker/Price: DECK (\$204)

Analysis:

Decker Outdoors (DECK) with 600 September \$220/\$230 call spreads bought today to open and follows a buyer of \$1.1M in January \$230 calls on 6-1 and sellers of nearly \$450K in December \$160 puts on 6/4 to open. Shares are starting to work out of a small consolidation today with the rising 20-MA just below and flag breakout on watch at \$215 that measures up to \$245. DECK has outperformed other retail apparel names since March and recent range is right around the February peak with air above at all-time highs. The \$5.41B company trades 19.1X earnings, 2.5X sales, and 8.33X cash with strong FCF and virtually no debt. DECK has paused buybacks to preserve their balance sheet and commenting in May they're more likely to be proactive with capital in 2020/2021 to take advantage of a dislocated retail environment. DECK is coming off a strong quarter driven by the outstanding growth in their HOKA brand and triple-digit overall e-commerce growth, a place where their mix is more skewed towards full-price selling across their brand portfolio. DECK has some of the best customer loyalty towards their brands of any name in retail apparel and saw UGG search interest up 73% in March/April while HOKA continues to be a top 2 or 3 searched brand among peer brands despite being in a seasonally 'low period of volume' for both brands historically. They also noted how continued investment in marketing and expansion of their customer acquisition strategy is paying dividends with younger demographics with DTC purchasers between 18- and 34 rose 29% Y/Y. Analysts have an average target for shares of \$195. Cowen starting at Buy on 6-3 with a \$220 PT. They like the durability of its UGG brand, growth in HOKA, and a financial model that can maintain top sector returns on capital. The firm also said recent checks support acceleration as the macro environment stabilizes and more stores open. BTIG with a \$208 PT citing demand for at-home/comfort and athletic products. Short interest is 4.3% and lowest level since 2004. Hedge fund ownership rose 4.4% in Q1. Melvin Capital a buyer of 675,000 shares in a new position.

Hawk Vision:



Hawk's Perspective: DECK along with LULU were two strong quality apparel names highlighted in March into weakness as good names to own, and continue to be favorites. DECK looks good near-term as well for a range breakout.

Confidence Ranking: \$\$