



Skechers Bulls Confident in Recovery

Ticker/Price: SKX (\$33.60)

Analysis:

Skechers (SKX) with 1,000 January \$37 puts sold to open today for \$7.50, large vote of confidence in the name, and follows 4,000 July \$33 calls bought for \$2.45 on 5/28. Shares have rebounded from the March lows and looking to clear the 200-MA now around \$34.50. SKX has been trading in a big range since 2016 with value-area high up around \$38.50 and an ideal target on an initial run higher. The \$5.22B footwear company trades 15.5X earnings and 1X sales with a solid balance sheet including over \$8.35/share in cash and very few near-term maturities. SKX is coming off a strong quarter with e-commerce sales picking up considerably during the shutdown and a renewed focus on cost savings initiatives. They were at the Evercore Consumer conference earlier this week noting that they continue to see 'incredible growth rates' in their online business while the pattern with stores has largely been positive as consumer behavior builds. SKX even expects to post better Y/Y comps in some higher-traffic areas in May/June despite the slower pace of re-openings. Longer-term, SKX has been investing in their tech ventures including mobile, a new POS system that integrates their omni-channel capabilities, and building out a new loyalty program to drive retention within their ecosystem. Analysts have an average target for shares of \$38.50. UBS positive this morning noting that SKX is set to continue double-digit sales growth after posting a 13.4% CAGR over the past two decades, even though it trades at a discount to peers. They also note that recent survey work suggests improving traction with customers, especially in athletic wear. Susquehanna positive on 5/6 seeing SKX emerge from the crisis stronger than peers citing, "a compelling and accessibly priced product, a burgeoning e-commerce business, and ample liquidity." Short interest is 4.9% and has been progressively falling since it peaked in 2015. Hedge fund ownership rose 7.3% in Q1. Samlyn Capital a buyer of 2.5M shares in a new position. Tremblant Capital also a buyer of 1.7M shares and now with a 4M share stake.

Hawk Vision:



Hawk's Perspective: SKX has long been a good looking value and also a name I think is an ideal M&A target in the apparel group. A move above \$36 should be good for a run to \$40.

Confidence Ranking: \$\$