



FEATURED OPTIONS RADAR REPORT



Burlington Seen as Retail Winner by Option Traders

Ticker/Price: BURL (\$190)

Analysis:

Burlington Stores (BURL) on 7/16 with bullish action as 600 each of the August \$185 and \$200 calls were bought with sales of 900 each of the \$210 and \$220 calls. BURL has also seeing bullish positions open in July 24th (W) \$182.5 and \$185 calls spread with \$195 and \$200 calls. BURL also has 1200 September \$220 calls in open interest that sold top open back in May. BURL shares have dipped recently and held key rising 144 week moving average support, also retesting a major volume zone from a range breakout back in 2019, nice support at \$176 on the weekly. The \$12B off-price retailer trades 24.9X Earnings and 1.85X Sales with a lot of debt. BURL has long been a leader to peers in terms of performance and posted 9%+ revenue growth each of the last four years and strong EPS growth with EPS rising to \$7.41/share in 2021 from \$2.31/share in 2016. The company's new CEO said in November the company would be more conservative with upfront inventory buys and instead target more opportunistic buys, which seems befitting of the current environment. BURL has long been a comp and margin upside story. Analysts have an average target of \$235 and short interest at 4.5% of the float rose 80% Q/Q. CSFB on 7-2 naming it a new top pick expecting consumer behavior to shift to value-seeking which benefits off-pricers. It also notes "In 2009 and 2010, off-pricers gained 900bp of share from department stores as consumers traded-down even as economic conditions improved. Further, supply chain disruption should contribute to the best inventory buying environment for off-pricers in a decade. We expect BURL to emerge much more competitively advantaged with an accelerating margin improvement story. BURL is the clearest example in our coverage with upside to current Consensus from higher sales/ft, GM and EBIT margins post-COVID." TAG raised its target to \$230 on BURL back in late May, noting the company has a balancing act between opportunistic buys and an uncertain road of consumer spending behavior for at least the balance of the year. RBC, Citi, and DA Davidson all raised targets to \$250 after results citing benefits of market share dynamics, product availability, pent-up demand amidst price markdowns, and new vendor relationships developing. Hedge Fund ownership was flat in Q1, Third Point reducing its position while Samlyn Capital with a new position and DSM Capital adding more shares.

Hawk Vision:



Hawk's Perspective: BURL has provided a low versus key support to be trading against, a favorite name in a tough industry.

Confidence Ranking: \$\$