



## FEATURED OPTIONS RADAR REPORT



### Large Puts Bought in Bed Bath as Retail Struggles Continue

Ticker/Price: BBBY (\$11.20)

#### Analysis:

**Bed Bath (BBBY)** buyers 9000 September \$11 puts \$1.17 to \$1.29 and later with 19,500 November \$12 puts bought up to \$2.99. BBBY has a lot of bearish open interest in the January \$9 puts and November options with spreads down as low as the \$5/\$3 strikes. BBBY has rallied with the broader retail sector and back to the 50% retracement of the February decline and around the 200-MA. A move back under the 8-day and broken momentum around \$10.50 can setup for pressure back to \$6. The \$1.37B retailer trades 0.15X sales and 1.2X cash with a 6.25% yield. BBBY doesn't expect to turn a profit again for 2-3 years at least and sales contracting 15% in FY21 with limited visibility into outer years as they undergo a massive investment cycle in their omnichannel operations. BBBY has new management and looking at a longer-term plan to divest assets and slim down but likely not a lot of value in the areas they'd jettison like personalizationmall.com. Their best asset remains BuyBuy Baby which continues to see strong traffic and growth while the core business struggles with competitive pressure from Amazon and others. BBBY pushed limited promotions during the early months of COVID-19 but carried \$2.2B of inventories at cost last quarter and likely has to turn up discounts into end-of-Summer to clear out as more stores re-open and they replenish for the Fall/Holiday push. Analysts have an average target for shares of \$10. Loop Capital positive on 7-10 "encouraged" by the early results of the reopened stores, the company's "healthy" liquidity position, as well as the progress made by the management on its omnichannel strategy. Short interest is sitting at all-time highs at 57% of the float. Hedge fund ownership rose 1.25% in Q1. Coatue a top buyer while activist Legion Partners with is the number one holder with 5.7M shares. Melvin Capital a sizable put buy. On 7-14, a director bought \$300,000 in stock at \$7.89 to \$8.29.

#### Hawk Vision:



**Hawk's Perspective:** BBBY is structurally challenged and remains a short into any rallies like this in my view.

**Confidence Ranking:** \$\$