



FEATURED OPTIONS RADAR REPORT



Dollar General Calls Bought into Results

Ticker/Price: DG (\$200.1)

Analysis:

Dollar General (DG) traded over 11,000 calls on 8/19, 2X daily average, a week ahead of its 8-27 earnings report and size trades with September \$200 calls bought 2500X at \$8.50 and accumulation of more than 1,750 November \$200 calls near \$12. DG has a lot of bullish open interest in August set to exercise this week but not much in outer months other than 1000 Aug. 28th (W) \$200/\$220 call spreads. DG has been an attractive chart set-up for a while now and finally confirmed its breakout last week of a long range and seeing strong results out of peers like **TGT/WMT** and DG long been considered a best-in-class operator. The move out of this range should target a run to \$215-\$220. The \$49B discount retailer now trades 22.3X Earnings and 22.1X FCF, undemanding valuation for a name expected to hit 16% revenue and 33% EPS growth in FY21. DG has demographic tailwinds as it focuses on selling consumables to low-income consumers in rural areas, a group benefitting from the stimulus and also benefits as consumers trade down and are more price conscious. Analysts have an average target of \$206 and short interest is low at 1.2% of the float. On 7/20 OpCo raised its target to \$225 saying the market is underappreciating the long-term earnings power following the recent grocery boom, management initiatives gaining traction and lasting market share gains out of the pandemic. Hedge Fund ownership fell 11.4% in Q2 filings, Polen Capital adding to a large position as did Atlanta Capital.

Hawk Vision:



Hawk's Perspective: DG a bit extended into results, a name we played long a few months back, and remains a favorite name, I expect stellar numbers.

Confidence Ranking: \$\$