



FEATURED OPTIONS RADAR REPORT



Williams Sonoma Bull Spreads See Earnings Momentum Continuing

Ticker/Price: WSM \$89.75

Analysis:

Williams & Sonoma (WSM) spread on 8/6 bought 1,070 September \$92.50 calls for \$4.80 and sold the November \$80 puts for \$4.90 and name that has 4,000 August \$87.50 calls in OI from buyers in early July. Shares are in a narrow multi-week range after a strong recovery in March/April and starting to work higher this week with the 8-EMA inflecting upwards. WSM has a measured move to \$100 and weekly range targets \$110. The \$6.94B specialty retailer trades 18.2X earnings, 1.18X sales, and 8X cash with a 2.2% yield. WSM and its family of brands – Pottery Barn, West Elm, and more – have thrived in the pandemic with a growing focus on the home and nesting and their omnichannel investments giving them a big advantage over peers. WSM sees long-term drivers from consolidating a highly fragmented industry (50% of sales come from smaller, regional players) while also acceleration online penetration (80% of industry sales take place in store). Analysts have an average target for shares of \$75. Argus has a Street High \$95 PT citing growth in traffic, sales conversion and new customers. Wells Fargo starting coverage in June at Neutral noting that the valuation is largely reliant on sustainable upside throughout fiscal 2020 and they'd wait for a better entry. Loop Capital positive on 6-1 noting that its strong omnichannel presence gives it a major operational advantage. Short interest is 7.5% and has been falling since June 2019 when it was over 23.5%. Hedge fund ownership rose 10% in Q1. In March/April, WSM saw insiders active with two directors buying stock at \$40 and then \$50.50.

Hawk Vision:



Hawk's Perspective: WSM is setting up well for a continuation move higher and easy to manage versus the 50-MA and range low looking for \$100+, earnings in late Aug. likely setting up another strong beat with online penetration still in the early innings and a lot of first-time users being pulled into the ecosystem

Confidence Ranking: \$\$