



FEATURED OPTIONS RADAR REPORT



BJs Wholesale Calls Target Strength into Year-End

Ticker/Price: BJ \$39

Analysis:

BJs Wholesale (BJ) with more than 1,400 December \$35 calls bought on 9/17 from \$6.10 to \$6.30 and follows sellers in the October \$40 puts and November \$35 puts recently. BJ still has 1,700 January \$50 calls in OI as well from buyers in July. BJ has been a strong name since we dove into it over four months ago and putting in a nice reversal candle yesterday off of cloud support and the June / July value. A run above \$40 can set up a re-test of the September value-area high near \$43 and then back near new highs above \$47.50. The \$5.54B company trades 16.5X earnings, 0.38X sales, and 8X FCF. They see mid-single digit revenue growth through FY23. BJ is coming off a strong quarter and noting last week at the Goldman conference that they're seeing better customer retention across all geographies. Digitally enabled sales rose 300% as they've made big strides in growing their digital services. BJ is also expanding their product reach with bigger brands like Puma and Sony and see a lot of opportunity for buying within apparel during the current environment. BJ continues to see long-term tailwinds from the pandemic even with a return to normalcy as the broader economic displacements, especially elevated levels of unemployment, will support the low-price retailer environment. They remain well positioned in this market given their low-price point, membership growth, 'stickier' sub model, revamped offerings both in store and online, geographic expansion and continued improvement to the balance sheet. Short interest is 8.5%. Hedge fund ownership fell 1.4%. Analysts have an average target for shares of \$41 and Davidson a Street High \$55. Northcoast positive on 8/25 as the firm thinks BJ will find its sales gains to be more permanent as he is confident many new members will view their membership purchase as "a wise decision" as they establish routine shopping trips to BJ's. Loop Capital positive with a \$50 PT noting that they expect continuation of stronger growth momentum as BJ's takes market share in a growing food-at-home industry.

Hawk Vision:



Hawk's Perspective: BJ is certainly one of the more impressive stories in 2020 with the pandemic and could see a boost into year-end given risks for another wave of COVID and the colder weather driving more people back into cooking at home with restaurants losing some outdoor dining

Confidence Ranking: \$\$