



FEATURED OPTIONS RADAR REPORT



Best Buy Bulls See Further Upside as Secular Trends Remain Positive

Ticker/Price: BBY \$112.28

Analysis:

Best Buy (BBY) spread yesterday bought 1,200 March \$120 calls for \$8.60 and sold 1,680 March \$135 calls for \$3.89. BBY still has over 1,700 March \$125 calls in open interest from buyers in late August while the December \$95 puts and Jan. 2022 \$105 puts sold to open in September. BBY shares have pulled in to the rising 55-MA and trend support this week with a move back above \$115 key to a run back toward \$130. BBY has been a clear outperformer in 2020 and one of few brick-and-mortar names trading so far above all-time highs. The \$28.58B company trades 15.5X earnings, 0.66X sales, and 6.37X FCF with a 2% yield. BBY is guiding to high-single digit EPS growth into FY23 while revenues grow in the low-single digits. BBY has positive drivers going forward from work-from-home which is galvanizing PC sales, the new smartphone cycle, next-gen gaming consoles, and a revitalized e-commerce strategy. The company also resumed in-store services last quarter after delivery, install and repair resumed in May. Services growth is largely tied to in-store sales and fell in Q2 due to a higher mix of e-commerce, so potential to see that rebound in Q3. Analysts have an average target for shares of \$106, Telsey Advisory a Street High \$135. Piper checks were positive on 10/28 and sees the shift to e-commerce and a re-optimized store labor structure taking Best Buy's EBIT margin "sustainably well above" its long-term 5% target. Cleveland Research positive on 9/29 after the analyst's checks point to growth that "seems very strong in absolute terms" and looks to be outpacing supply across almost all categories. Short interest is 1.8% and near decade lows. Hedge fund ownership rose 0.75% in Q2, Boston Partners and Ayeska both top holders. Melvin Capital an owner of put options.

Hawk Vision:



Hawk's Perspective: BBY has been a strong performer all year and one of the few brick-and-mortar names with a diversified strategy and notable trends at its back into 2021

Confidence Ranking: \$\$