Nike Bulls Position for Another Year of Outperformance

Ticker/Price: NKE ($127.65)

Analysis:

Nike (NKE) with nearly 5000 January 2022 $125 calls being bought to open ITM for around $9M and a buyer of 1200 December $125 calls as well on 11/10 remains in open interest along with a buyer of 3000 November $125 calls. NKE has plenty of bullish open interest in January 2021 OI and April $110 and $125 calls with 1000X each bought in August as well. NKE recently broke out of a bull flag but quickly retraced this week with 2020 winners pulling back, a very strong longer-term trend intact. The $200B footwear & apparel leader now trades 34.65X Earnings, 5.4X Sales and yields 0.77%, a name that had scale advantages and a strong omnichannel presence to withstand pressures from the pandemic on brick and mortar stores. Nike's thriving DTC business is also growing its operating margins. NKE sees double digit revenue growth in 2021 and 2022 along with very strong EBITDA and EPS growth. Analysts have an average target of $145 and short interest low at 1.1% of the float. Stephens raised its target to $153 noting Nike dominates the share of Generation Z apparel and footwear brand preferences. Argus raised its target to $145 seeing growth driven by the Jordan brand which is 12% of total sales as well as continued innovation, China growth, and expanding ecommerce sales. Guggenheim out in September after results with a $165 target as Nike embarks on the next era of the company and sees it further separating itself from peers. Deutsche Bank upgraded to Buy with a $151 target noting Nike is more profitable and better than it was a year ago despite a global pandemic and sees $6 EPS buy 2025. Hedge Fund ownership was flat in Q2 filings, notable top holders include Edgewood, Fundsmith, Polen, Sustainable Growth, Winslow, and Jackson Square.

Hawk Vision:

Hawk's Perspective: NKE is a best-in-class name and sets up for further upside with earnings early December, a likely earnings snapshot strategy.

Confidence Ranking: $$