



FEATURED OPTIONS RADAR REPORT



Size Bullish Spread in Lowe's into Weakness

Ticker/Price: LOW (\$154)

Analysis:

Lowe's (LOW) opening spread sells the March \$135 puts to buy the \$170/\$190 call spread for a small net credit, 4500X and still has size in the March \$160 and April \$150 calls from early November. Shares have been in a strong trend since March and pulling back recently to the 23.6% Fibonacci with a move above \$165 set up for an explosive run higher. The \$116.85B company trades 17.65X earnings, 1.58X sales, and 9.2X cash with a 1.55% yield and low double-digit growth. LOW posted 30.4% comps last quarter and 106% online sales growth Y/Y, still plenty of room for runway at only 7% of overall sales. LOW is seeing broad-based strength in their DIY business and launching a significant investment in merchandising and a floor reset in stores to help close the gap with Home Depot (HD) on the Pro side. LOW sees a big shift to project-based layouts versus product-based layouts helping improve sales per square foot as well. Analysts have an average target for shares of \$170 with a Street High \$205 from Jefferies. Baird positive on 11/18 noting that LOW has plenty of room to improve productivity and expand its EBIT margins in the years ahead thanks to the management's reinvesting its top-line strength. Short interest is 0.7% and the lowest in nearly 10 years. Hedge fund ownership fell 3.5% in Q3, Pershing Square with 12.4M shares, their top position.

Hawk Vision:



Hawk's Perspective: LOW is a quality name and still like the renovation/remodel market but the HD chart looks a bit healthier right now and favor it to LOW.

Confidence Ranking: \$\$