



FEATURED OPTIONS RADAR REPORT



Large Calls Bought in Dollar Tree into Holiday Shopping Season

Ticker/Price: DLTR (\$97.50)

Analysis:

Dollar Tree (DLTR) buyer of 4,800 December \$100 calls for \$3.80 in a stock replacement this morning and follows buyers of 500 February \$85 calls last week ahead of earnings in late November. Shares are a bit extended near-term and fading off their upper Bollinger Band today but weekly flag setting up for a move to \$120 on a run higher. The \$22.5B company trades 16.45X earnings, 0.92X sales, and 9.2X FCF with high-single digit growth. DLTR has lagged peers over the last five years, especially Dollar General (DG), but starting to see the gap close as Family Dollar starts to stabilize and a number of initiatives start to positively inflect. DLTR noted in August record 28.9% comps driven by better merchandising strategy, higher loyalty subs, and repeat buyers. Their move into a multi-price-point strategy is also helping drive margins higher, up nearly 4%, while higher average ticket is outweighing some flatness in foot traffic. DLTR continues to see opportunity to expand margins as they can opportunistically take advantage of larger close-outs in the sector, expand their footprint, renovate stores, and their supply chain improvements start to drive higher cash flows. Analysts have an average target for shares of \$105. RBC raising estimates in late August citing new customer growth and improved margins. Guggenheim positive as well as Family Dollar brand appears to be stabilizing and that Dollar Tree will face "uniquely-easy" comparisons in 2021. Wells Fargo a buyer into weakness noting that DLTR could close the valuation gap with peers next year as many others will likely see negative comps and earnings decline. Short interest is 1.5% and near multi-year lows. Hedge fund ownership rose 8.75% in Q2, Akre Capital, Rivulet Capital, and Maverick Capital notable new buyers of stock. Insiders have been quiet in the name but one director has bought around \$200,000 in stock between \$75 and \$89 over the last year.

Hawk Vision:



Hawk's Perspective: DLTR has a pretty choppy weekly pattern and prefer its closest peer **DG** as well as **WMT** to it, so not likely one for me to follow.

Confidence Ranking: \$\$