



FEATURED OPTIONS RADAR REPORT



Ulta Beauty LEAPS See Long-Term Return to Leadership

Ticker/Price: ULTA \$255

Analysis:

Ulta Beauty (ULTA) with 1,000 January 2022 \$340 calls opening \$20 and 500 of the \$350 calls at \$17.30 today, sizable trades in the name that has seen buyers in the Jan. 2022 \$330 calls lately as well. ULTA has also seen the March \$240 calls bought on 11/10 for more than \$1.6M. Shares gapped higher this week after announcing a partnership with Target and consolidating above a range breakout at \$240 that has a longer-term target up to \$330. ULTA is also breaking a multi-year downtrend. The \$13.92B company trades 23X earnings, 2.2X sales, and 31.25X FCF with mid-single digit growth. ULTA has been working through re-openings and gradual re-launching of services during the Summer while their expanded curbside business is thriving and around 20% of orders. The company invested a lot in their e-commerce platform in 2019 and bearing fruit with the shift in spending as sales up 200% in Q2 and record growth. They continue to win market share across most of the 'prestige' categories and mass beauty will recover with the store re-openings as the side lends itself to more walk-in shopping versus enthusiasts. ULTA sees opportunity to continue to expand SKUs and growth within skincare, bath, and PCA, areas where they saw double-digit comp growth in July and becoming a greater focus with makeup sliding during the pandemic. ULTA also expects higher spending during the holidays through omnichannel as guests there spend about 3X more than in-store shoppers and they've expanded out supply chain and logistics to better handle higher volumes this year as penetration in the channel has doubled since November 2019. Analysts have an average target for shares of \$255 and Barclays a Street High \$300. Loop Capital positive yesterday noting that the Target shop-in-shops model will generate "high margin royalty income with very little cannibalization" of Ulta's core business. BMO also sees a capital light / margin heavy deal as the arrangement will consist of a royalty paid to Ulta for a curated assortment of specifically selected "hero" SKUs meant to elevate Target's beauty selling experience and further amplify Ulta's offering and experience. Short interest is 4.5% and near 1-year lows. Hedge fund ownership rose 3.5% in Q2. Insiders active in the name with the CEO buying stock last year around \$237 for more than \$300K and a director adding \$59M in stock at \$241.50.

Hawk Vision:



Hawk's Perspective: These positions are obviously with a longer-term view and **ULTA** was a comps leader for many years, so could see a multi-year recovery as it emerges from the pandemic as a true omnichannel winner. Short-term, earnings in focus on 12-3 and consolidating nicely above the recent range, a nice risk/reward spot

Confidence Ranking: \$\$