



FEATURED OPTIONS RADAR REPORT



Abercrombie Bulls Look for Continued Strength into Summer

Ticker/Price: ANF (\$37)

Analysis:

Abercrombie & Fitch (ANF) with buyers today of 1000 August \$40 calls for \$3.90 to open, spot where buyers opened some smaller size last week, and follows 5,000 June \$42 calls bought last week. ANF has also seen buyers in the November \$44 calls recently. ANF has been on a strong run since last Fall and pulling back today below its 8-EMA with the 21-day just below at \$36. The rising 50-day MA and March VPOC is around \$33. The recent range has a measured move above to \$46. The \$2.43B company trades 23.5X earnings, 0.80X sales, and 8.35X FCF with double-digit growth expected in FY22. ANF is coming off of a strong quarter with digital growth of 34% and now more than 55% of overall sales, their best-ever rate and continuing to accelerate over the past 3-4 months even with some store square footage reopening. The company noted in March that they continue to operate from a leaner inventory position that is allowing them to focus more on high-margin 'must haves' which has led to few promotions and expanded gross margins. They're also seeing momentum in some of their smaller brands like lingerie brand Gilly Hicks and within their active collection

Gilly Go which has a lot of runway for growth into Summer after a very successful 2020 launch. Analysts have an average target for shares of \$30 with a Street High \$46 from B Riley. The firm was out on 4/15 raising estimates and highlighting that as the economy re-opens, the assortment has started to shift towards more fashion and going out styles that are also rarely marked down. JP Morgan positive on 4/19 as their recent spending data showed an acceleration in apparel sales with denim a clear standout. Short interest 6.45%, down sharply since early 2020 and lowest mark since 2013. Hedge fund ownership fell 10% in Q4, Melvin Capital a new position while Samlyn Capital and Point72 also adding. Insiders active this year too with a director buying stock in March \$34.61 and follows buying from the CEO last year into the March lows.

Hawk Vision:



Hawk's Perspective: ANF is a bit broken near-term with today's candle but a name I like longer-term, especially around their Hollister brand with reopening demand in the Summer and then back-to-school which could be one of the biggest retail/apparel demand surges in recent memory. A dip back further towards \$34 and a higher low versus the March range would be a nice risk/reward.

Confidence Ranking: \$\$