



## FEATURED OPTIONS RADAR REPORT



### Calls Accumulate in Apparel Retailer with a Reenvisioned Look

Ticker/Price: ANF (\$39.80)

#### Analysis:

**Abercrombie & Fitch (ANF)** has seen steady bullish options activity since April and on 8/10 two notable trades with 1500 January \$50 calls bought for \$390K and 1840 October \$42 calls opened for \$530K and on 8/11 the January \$50 calls saw buyers active again for 2000X. ANF will report on 8-26, after August OpEx, and still has 2000 August \$36 calls, 1000 August \$37.5 calls, and 2500 August \$40 calls bought in open interest. On 8/4 a trade bought 750 October \$35 calls for \$270K. The November \$44 calls have 1750 in OI from buyers including 1000 on 7/21 for \$400K. ANF shares recently dipped to the 144-day moving average which also held a key VWAP off the late December lows and now having a strong week with Retail back above YTD VPOC and out of its pullback trend. ANF has some resistance near \$41.70 but a name that could extend this move to new highs. ANF is a global multi-brand omnichannel specialty retailer, whose products are sold primarily through its digital channels and Company-owned stores. The Company offers a broad assortment of apparel, personal care products and accessories for men, women and kids under the Company's two brand-based operating segments: Hollister, which includes the Company's Hollister and Gilly Hicks brands, and Abercrombie, which includes the Company's Abercrombie & Fitch and abercrombie kids brands. The company has noted 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. ANF trades cheap, a market cap of \$2.4B, and trades 12.8X Earnings, 0.7X Sales and 8.1X FCF with a strong balance sheet and large cash position. ANF also just reported its best operating margin since 2008 as it executes on strategic initiatives. Sales are forecasted to grow 20% this year, best growth in over a decade while EBITDA seen rising 127% to the highest level since 2013. Analysts have an average target of \$51 and short interest is at 8.8% of the float. Jefferies out positive on 7/20 with a \$57 target noting the new Chief Digital Officer hire as it uses sales momentum and cost savings to invest in key opportunities. Jefferies also noted the new store prototype for Gilly Hicks using Aerie as a blueprint which could lead to significant upside. Argus upgraded in June noting that digital is now the majority of revenues and valuation is attractive to peers. Hedge Fund ownership declined 15% last quarter.

#### Hawk Vision:



**Hawk's Perspective:** ANF valuation is attractive while there is upside to both growth and margins, which tends to lead to a re-rating higher and a name that could be a strong winner the rest of the year.

**Confidence Ranking:** \$\$