



FEATURED OPTIONS RADAR REPORT



Put Buyers Position for Downside in Consumer Electronics Play

Ticker/Price: BBY (\$76.80)

Analysis:

Best Buy (BBY) with bearish positioning into the recent 10% recovery in shares as we enter earnings season, BBY not reporting until late August, but we are about to see multiple read-throughs from consumer electronics companies and the spending environment with an already known slowdown in smartphones and PCs. Trendforce also in early April that customers had been cutting back on orders for PC, laptop, and TV components. BBY on 7/22 with 10,000 August 26th (W) \$70 puts bought \$1.90 that should capture its next report while 2000 each of the August \$76 and \$72 puts also opened last week while 3000 December \$50 puts remain in open interest from buyers as do 2000 September \$67.50 puts from a trade 6/22. BBY on a move below \$74 near-term can retest its recent lows that came at long-term trend support and the \$55/\$60 zone could be in play. BBY is a large retailer of PCs, consumer electronics, appliances, entertainment and also offers a variety of tech services. BBY estimates still have no adjusted to the weakening macro although it is moving past the tough y/y comps from government stimulus. BBY screens as having the most discretionary spend exposure risk among hardline names. BBY has a \$17B market cap and trades 7.9X Earnings, 0.33X Sales and 65X FCF with a 4.6% yield, attractive valuation, but a low-margin business with negative estimate revision potential. Analysts have an average target of \$90 and short interest is elevated at 7% of the float. Hedge Fund ownership fell 1% last quarter. BAML cut shares to Neutral in June on concerns with consumers pulling back discretionary spending amid ongoing inflationary pressures. Barclays cut shares to Neutral in May on overly optimistic guidance seeing consumer electronics under pressure and potential downside to margins while Citi notes Best Buy is not built for a recession with a worsening backdrop and shift away from electronics, a \$65 target.

Hawk Vision:



Hawk's Perspective: BBY fading right from its post-earnings highs makes sense here and see puts attractive in a name I expect will need to lower estimates.

Confidence Ranking: \$\$