



## FEATURED OPTIONS RADAR REPORT



### Bull Spread Sees Momentum Returning to Leading Big-Box Electronics Retailer

**Ticker/Price:** BBY (\$115)

#### Analysis:

**Best Buy (BBY)** buyers of the October \$120/\$100 bull risk reversal this morning for \$2.85 debit, 3750X, with shares near a base breakout above \$116.50. BBY has longer-term bullish open interest with buyers in the June \$105 calls in April and sellers in the January 2023 \$110 puts for more than \$1.5M. BBY has seen some near-term bearish flow with 2000 August \$113 puts bought as some spread adjusted back, potentially protecting stock. Shares are basing around the 200-MA in a narrow range since mid-June with a breakout move above \$116.50 setting up for a run at the highs.

Longer-term, BBY in a big monthly bull flag under \$125 that stretches back to mid-2020 and measures out to \$155-\$160. The \$28.85B company trades 13.33X earnings, 0.57X sales, and 9.9X FCF with a 2.5% yield. BBY has thrived over the last year and a half with the boom in remote work while their strong omnichannel/fulfillment capabilities allowed them to not miss a beat in the changing environment. They should continue to see tailwinds into the Fall as spending around work/school comes into focus and their services business will regain momentum as the reopening continues. They also continue to pilot new store formats that will be a boon to traffic in 2022/2023 as they shift away from high-inventory 'warehouse style' stores and towards experiential models highlighting higher-margin premium home theater, PC gaming, and fitness experiences. Analysts have an average target for shares of \$123 with a Street High \$144. Loop Capital positive in early June as checks showed the company was staying very competitive on pricing with Amazon. They also think BBY has tailwinds as more companies return to the office with a hybrid environment. DA Davidson positive on May noting that BY is putting up historic numbers, even compared to 2019, as it benefits from changing shopping patterns and a strong consumer. Short interest is 4%. Hedge fund ownership fell 10% last quarter.

#### Hawk Vision:



**Hawk's Perspective:** BBY sets up well for a run and longer-term lots of upside through that \$125 level, so nice risk/reward against the recent lows; earnings on 8-24, potential to run into the event especially if we hear more about WFH returning in the Fall at a more accelerated level

**Confidence Ranking:** \$\$