



FEATURED OPTIONS RADAR REPORT



Best Buy Bulls Position for Recovery Move

Ticker/Price: BBY (\$108.50)

Analysis:

Best Buy (BBY) earlier today with an opening sale 1000 September \$100 puts \$7.80 and then 500 September \$115 calls bought near \$8. Today's flow follows buyers of 3000 June \$110 calls \$7.10 and 1500 of the \$130 calls for \$1.70 on 3/8 and still has over 4000 March \$110 calls in OI from bull spreads in December. Share fell on earnings recently but bouncing back off of the 50-week MA and just above a big volume node from early 2020. A broader weekly bull wedge continues to set up well under \$120 with a measured move to \$145-\$150. The \$26B company trades 13.2X earnings, 0.55X sales, and 5.8X FCF with a 2.65% yield. BBY is coming off of a strong quarter while announcing more store closures, a new \$5B buyback, and acceleration in online growth with sales up 90% Y/Y. BBY faces tough comps into the Summer but continues to see demand drivers from new gaming consoles, appliances from home remodels and refurnishing, and smartphone rollouts from Apple and Samsung. BBY is rationalizing inventory better with more of a focus on hot tech areas, especially those that lean into WFH, while cutting back on non-core categories. They should benefit in the near-term from the next round of stimulus checks while the broader reopening will be a boost to their high-margin services business where installs had tracked lower in 2020. Analysts have an average target for shares of \$110 and a Street High \$135. Loop Capital positive last week noting that BBY should be a major beneficiary of liquidation announced by electronics and appliances retailer Fry's Electronics. The company stands to pick up consumer electronics and appliances sales, while further cementing its importance and leverage over its consumer electronics suppliers. Citi starting at Sell this week noting that BBY has benefited from stimulus-fueled purchases and work/educate from home demand during the pandemic but sees tough comps in a reopened world. Short interest is 2.45%, down from as high as 12% in 2018 and now sitting near multi-year lows. Hedge fund ownership fell 13% in Q4.

Hawk Vision:



Hawk's Perspective: BBY has had a strong bounce since the initial move lower on earnings and continues to have a number of drivers for growth in 2021, a move back to \$102/\$103 sets up a nice risk/reward for that run back to \$120

Confidence Ranking: \$\$