



FEATURED OPTIONS RADAR REPORT



Bulls See Opportunity in Sharp Sell Off in Best-in-Class Off-Price Retailer

Ticker/Price: BURL (\$301.70)

Analysis:

Burlington Stores (BURL) traded 30X daily call volume on 8/30 as more than 3500 October \$310 calls traded for more than \$3.5M, see how many reach open interest. BURL traded a large spread on 8/18 with September \$340 calls bought against the sales of December \$370 calls but are well underwater. BURL shares have sold off three straight days since reporting earnings, a former relative strength play versus peers, and putting in an ugly monthly candle. BURL does have the rising 200-day moving average coming into play at \$294 and is looking to hold support from June, also touching the lower weekly Bollinger Band and the 38.2% retrace of the October 2020 low to 2021 high is near \$294 as well. BURL is an off-price retailer of high-quality, branded apparel at everyday low prices with 761 stores in 45 states. The off-price model provides customers with products that are nationally branded, fashionable, high quality and priced right. BURL has a fairly even split for sales across Women's ready-to-wear, Accessories/Footwear, Menswear, Home and Youth/Baby. BURL has a market cap of \$20.65B and trades 28.55X Earnings, 2.47X Sales and 24.8X FCF with revenues seen rising 61% FY22 and then normalizing to 6-8% annual growth for 2023/2024. BURL has ample room for expansion on the West Coast, Southeast and Midwest. BURL has long been a top performer with higher inventory turnover trends and improving EBIT margins. BURL did discuss the headwinds on the earnings call with the Delta variant and freight/supply chain expense pressures. Analysts have an average target of \$370 with short interest low at 2.8% of the float. Cowen cut its target to \$375 after managements conservative 2H outlook while Baird raised its target to \$400 seeing good visibility and a positive backdrop for off-price in 2022 with management having made key structural improvements. Jefferies in July with a note on the new COO from Ross Stores a big win for the company and has a \$385 target. Hedge Fund ownership rose 3% last quarter and BURL has notable top holders Third Point and Durable Capital.

Hawk Vision:



Hawk's Perspective: BURL is a high quality name but needs some time here to base and provide a better set-up, possibly versus the 200-day MA. I still see it as a long-term winner in the space with the most room for expansion.

Confidence Ranking: \$\$