



FEATURED OPTIONS RADAR REPORT



Unusual Calls in Apparel Retailer Capitalizing on Athleisure, Outdoor Themes

Ticker/Price: COLM (\$102.75)

Analysis:

Columbia Sportswear (COLM) trading more than 200X average volume on Friday with buyers of more than 2,850 October \$110 calls including a late surge into the close and follows the January \$105 calls bought on 9/9 more than 575X in unusual action. Shares have been basing in a narrow range since early June above the top of yearly value and the 200-day MA and a breakout above \$105 has room to run. The 2021 highs were up near \$115 but a broader move out of this range targets \$135-\$140. The \$6.65B retail apparel company trades 19X earnings, 2.37X sales, and 17.7X FCF with a 1% yield and mid-teens growth. COLM is coming off a strong quarter in Q2 driven by better-than-expected performance in their US wholesale and DTC businesses while their e-commerce business continues to grow despite the return to more in-store shopping. COLM has seen strong sell-through in both the early Spring and Summer seasons which positions inventory levels well ahead of their Fall 2021 and Spring 2022 order books. The company continues to benefit from some major themes within the consumer space including growing popularity in outdoor activities and athleisure with their prAna brand centered around travel, adventure, and yoga. They also have long-term market share opportunities around footwear as the company looks to expand capacity for production into the Spring where they have seen strong demand. Additionally, COLM has a number of strong brands, a clean balance sheet and momentum in some key areas of apparel which makes it an intriguing M&A target too. In June 2020, **VF Corp (VFC)** was noted as a potential buyer of the company as they look to expand their collection of clothing and footwear brands. Analysts have an average target for shares of \$117 with a Street High \$130 from Baird. The firm positive on shares noting fall orders have strengthened and the analyst would be buyer on any pullbacks given its additional earnings upside potential. BAML upgraded to Buy earlier this year citing data points around web traffic for Columbia & Sorel brands that indicate accelerating DTC momentum. Hedge fund ownership rose 16.5% last quarter. Ceredex Value a top buyer of stock.

Hawk Vision:



Hawk's Perspective: COLM has been a favorite SMID-cap apparel name for a long time and action last week stands out with shares setting up well into the Fall/Winter while their collection of brands and momentum in the DTC space make M&A an intriguing option

Confidence Ranking: \$\$