



## FEATURED OPTIONS RADAR REPORT



### Large Call Buys in Personal Care Leader with Robust Growth and Margin Expansion See for FY22

**Ticker/Price:** EL (\$315)

**Estee Lauder (EL)** traded 11X daily calls on 10/13 as more than 3000 April \$320 calls were bought \$19.20 to \$22.40, sizable premium. EL does not really have much notable open interest outside of 1770 November \$290 short puts and will next report on 11/2. EL shares have pulled back off the August highs though are still +16% YTD and held the rising 200-day moving average nicely into the recent lows as well as VWAP off the late January lows providing a nice spot to trade against. The recent low was also a 38.2% Fibonacci retracement and retest of the strong June breakout and key volume node. EL is one of the world's leading manufacturers, marketers and sellers of quality skin care, makeup, fragrance and hair care products under a number of well-known brand names including: Estée Lauder, Clinique, Origins, M·A·C, Bobbi Brown, La Mer, Aveda, Jo Malone London, Too Faced, Dr. Jart+, and The Ordinary. Skin Care is 58% of Sales, Makeup at 26% and Fragrance at 12%. EL has a market cap of \$112.7B and trades 36.5X Earnings, 7X Sales and 50.3X FCF with a 0.69% yield. EL's EBITDA margins have seen a steady climb to above 22% in FY21. EL has seen strong growth in China and also its beta haircare brands Aveda and Bumble. EL managed the pandemic well with strong online growth and sees FY22 a year of brick & mortar rebounding. E-commerce sales have surged from 5% in 2019 to 28% today. Forecasts see EL posting 16% revenue growth in 2022 and 19.7% EBITDA growth, its strongest topline growth in many years. Analysts have an average target of \$365 and short interest is low at 0.8% of the float. BAML recently reinstated at Buy with a \$345 target noting the DTC benefits, navigating the supply chain disruption and product innovation. Berenberg raised its target to \$383 in August seeing consumer habits leading to a strong sales recovery in 2022. RBC sees EL reaching 25% EBITDA margins and DA Davidson also noted EL's leaner cost structure will lead to all-time high operating margins in FY22. Hedge Fund ownership fell 8% in the latest quarterly filings though FundSmith and Edgewood each have \$2B concentrated stakes.

#### Hawk Vision:



**Hawk's Perspective:** EL is a dominant leader in the top consumer staples category of Beauty so the 200-day MA is a likely gift and like positioning in this name for a very strong 2022 performance.

**Confidence Ranking:** \$\$\$