



Estee Lauder Call Buyer as Shares Hit 200 MA

Ticker/Price: EL (\$191.40)

Analysis:

Estee Lauder (EL) large trade on 2/25 bought 1500 July \$210 calls to open at \$7 to \$7.20. EL does have 4900 March \$195 puts in open interest from 2/14 buys and 4000 of the \$180/\$175 put spreads. EL shares have pulled back from highs and seen as a name with a lot of exposure to China, though was early to reflect this and China is becoming more of an afterthought in the virus outbreak currently. The \$69.5B leader in the beauty segment trades 20.6X EBITDA, 29.1X Earnings and 4.4X Sales. Forecasts see revenues rising 7% in 2020 and 9.5% in 2021 with EPS growth of 7% and 15%. EL is seeing growth across all facets of business and the online and travel retail channels, the latter on likely impacted by the virus. EL is coming off another strong quarter when it reported on 2/6 with 15.5% Y/Y growth. Analysts have an average target of \$220 and short interest at 1.5% of the float is down 43.5% Q/Q. OpCo cut shares to Perform on 1/27 with concerns on slowing growth and premium valuation with its higher margin travel segment likely impacted for multiple quarters. On 2/7 Raymond James raised its target to \$238 from \$202 still seeing healthy fundamentals, balance sheet, and attractive growth. Stifel on 1/31 called weakness a buying opportunity seeing lost sales recouped in FY21. Hedge Fund ownership fell 4.55% in Q4 filings, Fundsmith a top holder added more as did Magellan while Edgewood reduced modestly.

Hawk Vision:



Hawk's Perspective: EL is a fantastic long term name with some temporary issues and a quality name to wait for a proper bottom to accumulate.

Confidence Ranking: \$\$