



FEATURED OPTIONS RADAR REPORT



Estee Lauder Put Sales See Limited Downside in Best-of-Breed Play

Ticker/Price: EL (\$290)

Analysis:

Estee Lauder (EL) with 1,300 July \$270 puts sold to open today down to \$10.50, high-quality name in a narrow bull flag near recent highs. EL has 1,000 April \$310 calls still in open interest from February and also 500 April \$280 calls from November. Shares have consolidated the recent gap higher well and a run back above \$295 has a measured target to \$315. The \$106B cosmetics leader trades 41.5X earnings, 7.5X sales, and 19X cash with a small yield. EL is guiding to mid-teens growth on the bottom line and 7-10% topline growth as they expand their footprint in skincare and other high-growth categories. They saw a big return to growth for some of their cornerstone brands last quarter like Clinique while online penetration continues to improve with double-digit growth behind expansion onto more third-party platforms. EL is optimistic into 2021 on further vaccine rollout which will drive higher demand around cosmetics like Aveda and Supreme+Bright. Analysts have an average target for shares of \$275 with a Street High \$348 from DA Davidson. They were out on 3/2 positive on the company's \$1B deal to increase its stake in DECIEM to 76%, stating that the assets add a uniquely positioned brand to Estee Lauder's portfolio in skin care, which is also the highest margin and growth category in beauty. Short interest is 0.65% and lowest since 2005. Hedge fund ownership rose 6% in Q4, Third Point a small new position.

Hawk Vision:



Hawk's Perspective: EL is a best-of-breed name setting up well for a continuation higher while their portfolio is unmatched around long-term growth areas like skincare, alert set for \$295 out of this range

Confidence Ranking: \$\$