



FEATURED OPTIONS RADAR



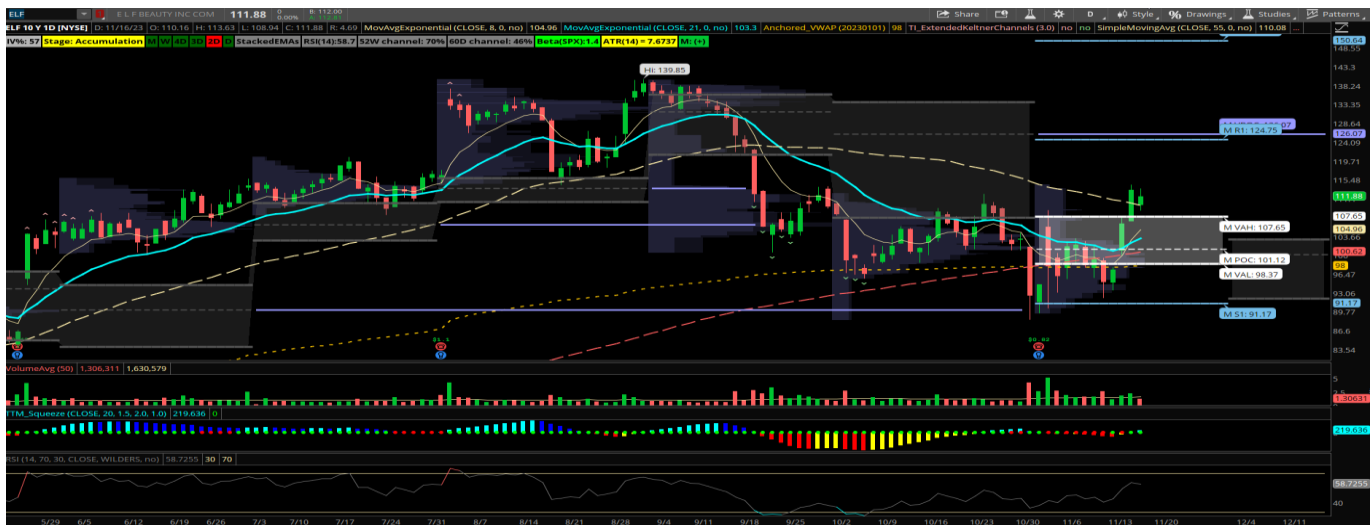
High Growth Beauty Retailer Sees Large Call Buyer Position for Rally into Yearend

Ticker/Price: ELF (\$115.28)

Analysis:

Elf Beauty (ELF) on 11/15 saw a large in the money buyer for 1200 January \$100 deep ITM calls at \$17.60 and over \$2.1M in options bought showing confidence in owning at current levels since a deep ITM call replicates long stock. ELF rarely sees larger option trades like this but still has 200 Jan 2025 \$125 calls in open interest from buyers on 8/8 for \$33.20 and has 1000 Jan \$90 short puts in OI from sales this summer at \$6.10. Also, on 10/26 saw a buyer of 320 February \$115 calls \$11.30 to \$11.50. The \$6.4B beauty retail company trades at 38.6x earnings, 5.9x sales, FCF yield of 1.6% with revenues expected to grow a strong +57% in FY24 and growth estimated at +21% in FY25. e.l.f. Beauty, Inc. is a multi-brand beauty company. The Company offers inclusive, accessible, clean, vegan, and cruelty-free cosmetics and skincare products. The Company offers a range of products that are vegan and cruelty-free. ELF beat top and bottom line estimates this month as earnings surged and they raised guidance for FY24 saying in Q2 they grew net sales by 76% and category share by 330 basis points, marking our 19th consecutive quarter of growth in each. The CEO also states that they see significant whitespace across color cosmetics, skin care and international giving confidence that we are in the early innings of the growth story still. Shares have been breaking above the monthly value area this week and clearing 107.50 key resistance and the 55-day MA at near 110. ELF has a beautiful uptrend longer term still and the recent correction in markets brought the name back to its rising 200-day MA close to the 95 level and now firmly back over all key moving averages with support strong at 107 and 105 below. The upside can see 126 as VPOC target above and then the all-time highs are 139.85. Average analyst price target is \$140. Jefferies upgraded the stock to Buy as the recent pullback in EBITDA multiple to 23-times from 37-times has created a buying opportunity as underlying demand remains robust while the benefits from M&A, international expansion, and share gains should more than offset tough comps in FY25. RayJay last week into the dip said it sees this selloff as an attractive entry point for shares and reiterates a Strong Buy rating and \$140 price target as they expect FY consensus to increase by a low double digit to low teens percentage. UBS also bullish and has a Buy rating and \$138 target citing the company's strong beat and raise report. BAML has a \$135 target and says the selloff was based on higher rate environment, but a premium multiple is warranted as the company is still in a high growth phase and continues to diversify its portfolio and customer base. Short interest is at 4.5%. Hedge fund ownership rose 12%.

Hawk Vision:



Hawk's Perspective: ELF is a higher valuation name but warranted based on the growth so a name that should rebound to highs with rates peaking now. The options aren't too liquid so a better stock play and using 21 EMA as a stop level works.

Confidence Ranking: \$\$\$