



## FEATURED OPTIONS RADAR REPORT



### Call Buyers Target Small-Cap ELF Beauty

**Ticker/Price:** ELF (\$25.75)

#### Analysis:

**ELF Beauty (ELF)** stock and IV rising early with more than 5,500 May \$30 calls bought up to \$1.40. ELF had buyers in December in the August \$35 calls and May \$35 calls, although both smaller-dollar plays. ELF is back above January value and nearing a breakout above \$26. The longer-term trend has been strong since its big May gap higher on earnings and longer-term potential out to \$35. The \$1.27B company trades 35.5X earnings, 4.2X sales, and 36X cash with high-single digit growth. ELF is coming off a mixed quarter as they continue to expand their portfolio with new brand launches and expansions into areas like skin care. They also continue to invest in brand awareness, one of the more innovative consumer brands right now, with new ventures on Twitch as their social audience grew double-digits again in Q4 to more than 9M followers. ELF has been winning share versus peers in some of the hottest categories of cosmetics, up nearly 600 bps last quarter, and their digital consumption trends remain one of the industry's best up triple digits in 2020. They have expanded into channels like Amazon and now see digital as 16% of their total mix. ELF sees a big potential catalyst from re-opening this year as it likely acts as a big boost for their color cosmetics business. Analysts have an average target for shares of \$25 with a Street high \$30 from Truist. The firm with a note on 2/4 noting that ELF continues to outpace the color cosmetics category and its results accelerated over the past eight quarters, showing clear outperformance versus peers. Piper cautious in January as the company likely steps up spending in 2021 on investing in smaller brands. Short interest is 6.5% and up slightly since last Fall around 4%. Hedge fund ownership rose 1.5% in Q4, Lomas Capital a buyer of 1.1M shares.

#### Hawk Vision:



**Hawk's Perspective:** ELF has made a nice move since we profiled it last in July 2020 and sets up well for a continuation higher given their strong presence with millennials/Gen Z and their digital growth, on watch for a move above \$26.25

**Confidence Ranking:** \$\$