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Specialty Value Retailer Gets 'High Five' From Call Buyer into Conference

Ticker/Price: FIVE (\$215.00)

Analysis:

Five Below (FIVE) saw a buyer on 12/29 of 500 August \$230 calls at \$17.50 and near \$900K in total for the stock replacement trade and this follows a 12/26 buyer stock and sold 500 Jan 2025 \$240 calls in buy writes for \$23.44, willing to be called away at an effective sell price near 263, or about +23% higher in the next year. Making that 240 level a nice spot to shoot against as a target potentially. FIVE also still has 220x January 2025 \$170 calls in open interest from buyers on 6/1 of a long strangle that leaned strongly bullish deltas as the calls being ITM. FIVE is also scheduled to be at the ICR Retail Conference next week on 1/8. The \$11.9B value retail company trades at 32.7x earnings, 2.8x sales, FCF yield of 1.6% with revenues expected to rise +16% in FY24 and growth estimated +16% in FY25. Five Below, Inc. is a specialty value retailer offering merchandise targeted at the tween and teen demographic. The Company's assortment of products includes select brands and licensed merchandise. The Company is engaged in offering a group of products, namely leisure, fashion and home and snack and seasonal. FIVE is coming off a stellar quarter as they reported a beat on top and bottom lines and approved a \$100M share buyback. The top line beat was good to see after an in-line result in Q2. Another positive metric was same store comps of +2.5%, which were above prior guidance of +0-2%. Comps continued to be driven by transactions. FIVE saw a comp transaction increase of 3.1% in Q3. Shares have been strong and trending higher since the rebound in September off the 150 key support zone which was also near 50% retracement of the entire rally since the 2022 lows. FIVE now starting the new year a bit extended but has strong support into the 200 level below here with 8 week EMA there. Potentially needing some time to flag here now but likely sees that old high at 237 eclipsed sooner than later. Average analyst price target is \$218. Caig Hallum upped their target to \$220 and has a Buy rating citing the impressive report in Q3 with FY23 guidance raised on sales and EPS as comp momentum has continued. Telsey Advisory last month saying it is turning decidedly more constructive toward consumer stocks following the dovish Fed pivot and says FIVE is positioned for earnings growth and makes it a top pick for 2024 based on its new stores expansion plans, enhancement from operations, and Five Beyond contribution. William Blair is also constructive on Five Below heading into 2024. The firm believes that the company's value-based, youth-centric, and broad assortment of merchandise protects against the more macro-oriented pressures on discretionary demand spending as well as the emerging online competition. Short interest is at 9.2% and has increased by 34% in the past 3 months. Hedge fund ownership rose 9.2%. Steadfast Capital added 339,000 shares in a new stake last quarter.

Hawk Vision:



Hawk's Perspective: FIVE is a solid chart and in a group likely to see tailwinds in 2024. Using a stop under 200 is a clean line in sand level with upside to 240+ possibly.

Confidence Ranking: \$\$\$