



Foot Locker Puts Bought as Shares Lose Support

Ticker/Price: FL (\$39.55)

Analysis:

Foot Locker (FL) with 4,000 ITM March \$40 puts bought for \$3.00 to \$3.20 today and later 1500 August \$37.50 puts bought \$4.10 to open. FL has seen some smaller bearish plays open since early December including the Jan. 2022 \$40 puts and Jan. 2021 \$37.50 puts while some large call buys stuck OTM around the \$55 strike from November. Shares are consolidating in a multi-week range under the declining 50-day MA with a breakdown under \$38 and the 6-month value-area setting up for a re-test of the prior lows at \$34. RSI and MACD have both reset back to zero from oversold levels and turning over, plenty of room to break from this weekly bear flag. The \$4.13B company trades 7.6X earnings and 0.51X sales with over \$7/share in cash on hand and a 3.82% yield. FL sees EPS growing mid-single digits the next two years while revenues remain stagnant around 1-2% growth. FL has undergone a big transition since early 2017 as they look to embrace the 'new world' of retail and focus more on digital/e-commerce partnerships. Costs are expected to weigh as well as they expand out their "Power" store concept in 2020. FL still relies heavily on Nike (NKE) with over 70% of sales and long-term risk to sales as they pursue a more aggressive DTC strategy. Analysts have an average target for shares of \$54 with 12 buy ratings, 8 hold, and 1 sell. Susquehanna downgrading to Neutral on 1-10 noting that new launches from NKE and Adidas likely won't be enough to help them overcome tough early-year comps while less effective engagement and communication is driving lackluster results. Argus cautious as well on 1-3 as FL will have to allocate more investment to digital advertising which should weigh on margins. Short interest is 8%. Hedge fund ownership fell 10.5% in Q3, Samlyn Capital cutting their stake by over 1.5M shares.

Hawk Vision:



Hawk's Perspective: FL fits the perpetual Retail short play with its high mall exposure and looks likely to continue to struggle.

Confidence Ranking: \$\$