



FEATURED OPTIONS RADAR REPORT



Best-of-Breed Department Store Operator Draws Call Buys with More Partnerships on the Horizon

Ticker/Price: KSS (\$52.45)

Analysis:

Kohls (KSS) shares pulling back to the 200-MA and trend support this week and bullish flow with 3,000 October \$55 calls bought on 9/15 for \$1.47 to \$1.64 and follows the October \$52.50 calls bought 2800X on 9/14. The November \$55 calls were bought 1000X on 9/8, the November \$52.50/\$62.50 call spread bought 5500X on 9/3, and the January \$57.50 calls bought 3700X on 8/19. KSS still has a large \$8M buy from February in open interest as well in the January \$35 ITM calls. Shares are back at the low-end of monthly value and putting in a bullish reversal day on Monday with room back to \$58 on a turn higher. The broader weekly bull flag has a measured move above \$60 to \$85. The \$8.23B company trades 8.55X earnings, 0.45X sales, and 3.55X FCF with a 2% yield. KSS has undergone a big structural change over the last 24 months as they work on faster turns, improved inventory assortment and unique partnerships, and more digital engagement. The company was at the Goldman retail conference on 9/9 and noted that they have a number of new partnerships to announce soon, potential drivers of the stock, especially around areas like athleisure where they've seen strong performance recently from their FLX brand. They also expect to transform their Women's business and see it as a potential growth engine as they jettison old leadership and brands and revamp the unit. Analysts have an average target for shares of \$55 with a Street High \$80. BAML positive in August on an interesting angle, their recent partnership with Sephora. The firm views the deal as a key driver to boost sales and earnings and also for its ability to attract younger, more affluent customers and promote cross-shopping. The rollout can add 200bp to second half of the year comps and over time can be 15% accretive to EPS, without taking any cross-shopping into consideration. Hedge fund ownership rose 6.5% last quarter, Dorsal Capital a top buyer of stock.

Hawk Vision:



Hawk's Perspective: KSS is back at an attractive spot and among the brick-and-mortar retailers, one of the more intriguing names given their self-help initiatives and potential brand drivers

Confidence Ranking: \$\$