



FEATURED OPTIONS RADAR REPORT



Kohls OTM Calls See Upside as Activists Push for Board Changes

Ticker/Price: KSS (\$57)

Analysis:

Kohl's (KSS) with 1,175 October \$75 OTM calls bought \$3.70 to \$3.85, name with some large call open interest including 10,000 October \$85 calls bought last week and 5,000 April \$65/\$75 call spreads on 3/15. KSS has seen buyers in the July \$52.50 calls as well recently. Shares have been outperforming the broader market since early November and pulled back last week to the rising 50-MA which held up. A move back above \$62 and above recent highs targets \$75 and a major area of resistance going back to 2002. The \$9B department store operator trades 14X earnings, 0.6X sales, and 10X FCF with a 1.7% yield. KSS is an activist situation with a group of investors including Macellum Advisors and Ancora pushing for a major overhaul of their board. The group wants more retail experience to work with CEO Michelle Gass and focus on inventory levels, promotions, and customer acquisition focus. The activist group also wants a committee to explore a potential sale and leaseback of their \$7B non-core real estate assets. The vote will be held on May 12. Analysts have an average target for shares of \$50 with a Street High \$71 from Jefferies who was out on 3/18 positive on the company's pathway toward superior margin mix, cross-channel benefits, and a more cash-productive business. The analyst also sees tailwinds at Kohl's that include stimulus, pent-up demand for full price fashion and Amazon-returns-linked visits. Hedge fund ownership rose 4.5% in Q4, Macellum has a 9.5% stake in the company and Samlyn Capital, Appaloosa, and Ancora all adding last quarter.

Hawk Vision:



Hawk's Perspective: KSS trend has clearly been strong and a little more consolidation around this 50-MA would give a nice risk/reward into the event

Confidence Ranking: \$\$