



FEATURED OPTIONS RADAR REPORT



Bulls Accumulate Upside Positioning in L Brands Ahead of Split

Ticker/Price: LB (\$67)

Analysis:

L Brands (LB) name that has drawn a lot of bullish flow over the last two weeks including buyers today of 750 January \$70/\$90 call spreads for \$5.25. The August \$80/\$55 bull risk reversal has accumulated over 14,000X since 5/14 while the June 11th (W) \$68/\$73 call spread bought 10,000X on 5/24. LB has been consolidating the recent run higher since early April and a breakout above \$70 has room up to \$77. MACD has reset back around zero and RSI is back around 50, ready to run on the daily. The \$18.4B company trades 11.9X earnings, 1.4X sales, and 11.5X FCF with expectations for low-20% sales growth in FY22. In April, LB announced a long-awaited split with Bath and Body Works set to become an independent company and Victoria's Secret remaining publicly listed as well after bids came in low. LB has had a resurgent six months after tapping new CEO Martin Waters who helped overhaul their product lineup and shift into more 'everyday casual' which has helped them expand their demographics. They also closed nearly 200 stores and executed well on a profitability plan that is paying off at both brands with margin expansion in Q1. LB expects to continue paring back promotional items and expanding their ecommerce efforts to have a more balanced channel approach with stores reopening. Analysts have an average target for shares of \$63 with a Street High \$93. MSCO raising estimates on Friday noting that 2021 may be L Brands' most profitable year in its history and the firm has confidence in Victoria's Secret's turnaround and profit trajectory as well as Bath & Body Work's revenue growth sustainability margin expansion opportunity. Hedge fund ownership fell 9% in Q1, Lone Pine Capital a top holder with 26M shares. Melvin Capital also a top 10 holder in the name but sold some last quarter. In March, a director bought \$200,000 in stock at \$54.50, the largest open market buy since 2017.

Hawk Vision:



Hawk's Perspective: LB has been one of the better retail/apparel stories of the last year and their separation is clear value driver for the company; shares setting up well here along the 50-day for a break out of this range

Confidence Ranking: \$\$