



## FEATURED OPTIONS RADAR REPORT



### Large ITM Call Buys Target Best-in-Class Apparel Stock with Leading Digital Ops

**Ticker/Price:** NKE (\$143)

#### Analysis:

**Nike (NKE)** unusual 3500 deep ITM September \$95 calls opening today near \$48 for \$17.5M and later a large buyer of 10,000 June \$125 ITM calls for \$22.45, similar to some September deep ITM call buys the past week. NKE had 4,000 March \$130 puts sold to open in December for \$1M+ and still has over 9,000 June \$160 calls in open interest from buyers in October for more than \$10M. NKE shares are back to a big volume node from early 2021 and filling a big earnings gap from last June to \$140. A snapback move here can re-test the 200-MA at \$154.50 with further room above to VWAP from the November highs at \$163.75. The \$225B company trades 29.8X earnings, 4.87X sales, and 15X cash with a small yield. NKE is coming off of a mixed quarter as they continue to execute well on their growing digital and omnichannel strategy but continue to see a slowdown in China, one of their top markets. The company is focused in early 2022 on reopening factories in Vietnam and navigating supply chain headwinds in the region as COVID continues to cause disruption and NKE said they expect 2022 to be a recovery year with Q2/Q3 seen as a start of sequential improvement. The company sees drivers in early 2022 from expansion of their connected experiences portal – including integrating RTFKT and more projects with Roblox – and product roll outs from Nike, Jordan Brand, and Converse. Analysts have an average target for shares of \$180 with a Street High \$213. Seaport starting at Buy on 1/18 with a \$175 PT, positive on the valuation reset and expecting the 2021 comps to not be as difficult a hurdle as many expect. Guggenheim positive on 1/3, one of their Best Ideas for 2022, as they think NKE has one of the best omnichannel strategies in retail which will allow them to weather variants/spikes in COVID better than others. They also note the brand commands dominant market share which will grow materially from here as Nike's digital business scales further and its new product innovation continues ahead. Short interest is less than 1%. Hedge fund ownership fell marginally last quarter. Polen Capital a top holder with 8M shares while Winslow Capital has 5M shares.

#### Hawk Vision:



**Hawk's Perspective:** NKE is a best-of-breed name in a tough apparel sector a strong value here as shares should resolve higher into the 2H of the year as their issues in Asia see more clarity

**Confidence Ranking:** \$\$