



FEATURED OPTIONS RADAR REPORT



Put Sales Show Confidence in Office Services Company Amid Strategic Transformation

Ticker/Price: ODP (\$43.22)

Analysis:

Office Depot (ODP) with a large opening sale of 2000 January \$45 puts for \$5.40 today and follows 3,000 January \$40 puts sold to open recently. ODP doesn't have any other notable open interest. Shares are back near support of the recent multi-week range and re-testing the range breakout from June at \$44-\$43. ODP is in a broader weekly consolidation since December under \$50.50 with a move higher targeting \$65. The \$2.3B company trades 9.5X earnings, 0.25X sales, and 7X FCF. ODP has been a busy story in 2021 after rejecting a \$40/share offer from Staples and announced plans in May to separate into two businesses – one that will focus on their B2B strategy and one on their retail consumer and small business services. The company expects the split to be completed by early 2022 and will allow for better growth and investment as they pursue new commercial partnerships and invest in their broader digital platform. The split also likely makes the potential for a return from Staples more likely as they could pursue the smaller NewCo. ODP expects to see strong results in the 2H with tailwinds from the 'return to office' trade as well as back-to-school. Analysts have an average target for shares of \$41.50 and a Street High \$43, although limited coverage. UBS upgrading shares to Neutral earlier this year noting that there's a wide range of outcomes for the stock and there's a good chance ODP can generate over \$4/share in EPS by 2022. The firm also thinks fundamentally they should see positive tailwinds from the 'return to work' shift which will boost demand for office supplies. Short interest is 6.85%. Hedge fund ownership rose 5.5% last quarter. Greenlight Capital a buyer of 575K shares while Cannell Capital and Wolf Hill also adding stock. Activist HG Vora is a top holder with 5M shares, their second largest position. The firm got a board seat in January.

Hawk Vision:



Hawk's Perspective: ODP is purely an event-driven trade with a lot of potential moving parts to drive value and back at the 200-MA near \$40.50 is a nice risk/reward with the put sales showing confidence

Confidence Ranking: \$\$