



Bulls Position for Next RH Earnings Upside Move

Ticker/Price: RH (\$132.50)

Analysis:

RH (RH) sweep buy of 300 May \$135 calls \$17.30 offer after 200 of the May \$130 calls bought yesterday and 600 of the May \$120 calls on 1/16. RH also has seen 600 May \$115 calls bought, the May \$115 puts sold to open 680X, and has 3,000 February \$120 short puts and 3,000 of the Jan. 2020 \$160 calls bought to open in OI. RH shares are flagging above a recent breakout and are above the 200 MA, a larger base pattern measures to \$170 upside on a break above the \$140 level, a strong weekly trend chart. The \$2.65B upscale home retailer trades 12.9X Earnings, 1.06X Sales and sees revenue growth picking up strongly next year while EPS growth remains very strong. RH is coming off a solid quarter with strong full price selling, higher outlet margins and cost benefits from its operating platform. RH is an expanding margin story and also a growth acceleration story into 2019. Its membership platform has eliminated frantic buying patterns. It sees the transformation of its real estate allowing for the doubling of revenues and earnings in every market. It has a long term goal of \$4-\$5B in revenues with industry-leading operating margins and ROIC, believing it can grow revenues 8-12%, earnings 15-20% for the next ten years. RH will next report in late March. Analysts have an average target of \$162 on shares and short interest remains high at 38% of the float but has been steady. Stifel was out on 12-4 with a \$180 target seeing the company distinguishing itself in a competitive industry. KeyBanc downgraded shares on 1/7 on a negative call on the whole Home Furnishings segment. Hedge Fund ownership rose 14.4% in Q3 filings, DE Shaw taking a large position.

Hawk Vision:



Trading Strategy: RH has a great look to it and one of my favored stories in retail this has long been misunderstood by the short crowd. Positioning in May calls looks attractive versus the 200 day.

Confidence Ranking: \$\$