



## Tapestry Options Positioning Sees a Bottom in Place

**Ticker/Price:** TPR (\$36.75)

### Analysis:

**Tapestry (TPR)** with 1,000 August \$35 puts sold to open today for \$3.30, seeing limited downside in the name which has traded weak since August. TPR had opening sellers in the May \$35 puts last week while the February \$35 calls active with buyers. The February \$40/\$35 bull risk reversal remains in OI over 1,000X while the \$45 calls have nearly 2,500 remaining from Fall buys. The January 2021 ITM \$35 calls were bought on 12/12 as well. TPR shares are working out of a small base today and putting in a strong weekly candle after a reversal in late December. Shares traded back to trend support from the 2019/2015 lows, forming a series of long-term higher lows, as well as holding key Fibonacci support at \$32.50. The \$10.3B company trades 11.5X earnings, 1.7X sales, and 9.7X cash with a 3.8% yield and double-digit EPS growth expected annually through FY21. TPR has been steadily raising revenue estimates since August and now sees 5% growth in both FY20 and FY21 as they pass the two-year mark of the Kate Spade deal. TPR raised guidance in October driven by solid growth at Coach, gross margin improvement, and better trends at Stuart Weitzman. TPR has a much stronger mix since the KATE deal with significant opportunity to grow share in the \$91B premium market. Shares have sold off with fears of a slowdown in China, especially the high-end shopper, but the country represents just 13% of overall sales and TPR has taken proactive steps to buyout their local distributors which they feel aligns more with the country's emphasis on driving domestic demand. Analysts have an average target for shares of \$53 with 20 buy ratings and 9 hold. TPR was named a Best Idea for 2019 at BAML last week. OpCo with a \$50 PT for shares noting that the market is under-appreciating the internal initiatives beginning to take hold. They are also positive on new product launches in 2019, acquisition integration, and digital enhancements. Institutional ownership rose 33% last quarter, significant with most names seeing huge outflows. Point72 a notable buyer of 1.1M shares. Short interest is 1.9%, near multi-year lows.

### Hawk Vision:



**Trading Strategy:** TPR has a formidable base to trade against while CPRI been the focal point for value and LEAP call buys. Both names look very cheap and provide solid reward/risk at these levels.

**Confidence Ranking:** \$\$