

## SPOTLIGHT OPTION TRADE



### Strong Consumer Spend & Retail Environment Supportive of Leading Home Retailer

#### TRADE SNAPSHOT

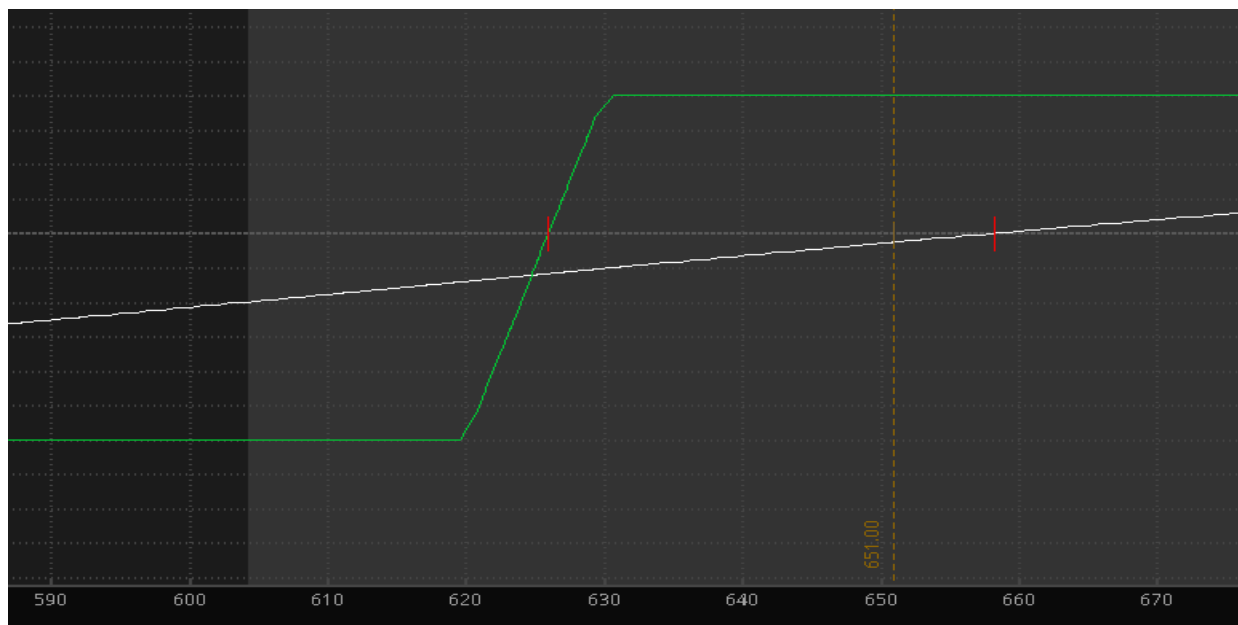
TICKER	RH
SECURITY	Restoration Hardware
SECTOR	Consumer – Specialty Retail
CURRENT PRICE	\$651
LONG/SHORT	Long Bias
TARGET	\$630+
STOP	None – Defined Risk
TIMEFRAME	1 Month

**Trading Strategy:** Sell the RH December \$630/\$620 Put Spread for a \$4 Credit (Bull Put Spread)

**Net Debit/Credit:** Credit of \$4

**Profitability Zone:** RH Above \$626 on December OpEx

**Options Volatility / Trade Simulator View:**





**Technical Analysis:** RH shares recently rebounded off its rising 200-day moving average and shares have significant support near this level as shares held on lows just above YTD VWAP. Shares can make a big move higher above \$706.



**Fundamental Analysis:** RH has a market cap of \$13.95B and trades 25X Earnings, 13.8X EBITDA and 25.5X FCF. RH is a leading luxury retailer in the home furnishings market. They may face some difficult comps in the 2H. They also have one of their largest product launches in history in the 2H with ten new collections out from their RH Outdoor Source Book. RH revenues are seen growing 32.8% in 2022 and 9% in 2023. RH is seeing strength in the housing market driven by strong tailwinds, including low interest rates, inflated home prices and the migration of consumers to second homes in suburban areas that are larger in square footage than city residences, all translating into increased demand for furniture and furnishings. RH certainly will face supply chain challenges related to sourcing raw materials, longer transit times and higher transportation costs. RH delayed the launch of RH Contemporary from fall this year to spring of 2022. The 2022 year should be very strong as it also pushed back the mailing of its Fall books to next year. Analysts have an average target of \$780 with short interest at 11.6% of the float. Wedbush raised its target to \$760 in September impressed with sales and margins. Citi raised its target to \$790 seeing several incremental revenue drivers in 2022 with new launches.

### Options Activity:

Date	Description	Volume	Open.Int	Price	Delta	Impl Vo	Prob.ITV	Premium Paid	Symbol	Current Price	Current OI
11/15/2021	RH 100 17 DEC 21 590 CALL	180	17	\$77.50	0.74	56.49%	68.77%	\$1,420,200	.RH211217C590	\$77.50	195
11/11/2021	RH 100 19 JAN 24 940 CALL	100	0	\$80.00	0.38	43.17%	17.56%	\$800,000	.RH240119C940	\$80.00	100
10/18/2021	RH 100 19 NOV 21 630 PUT	1,733	295	\$7.70	-0.18	37.90%	21.14%	\$1,455,720	.RH211119P630	\$3.60	1939
10/6/2021	RH 100 20 JAN 23 500 PUT	500	104	\$57.40	-0.239	45.24%	42.32%	\$2,870,000	.RH230120P500	\$53.30	510
10/6/2021	RH 100 20 JAN 23 420 PUT	500	4	\$34.03	-0.15	46.21%	30.46%	\$1,701,500	.RH230120P420	\$28.25	503
10/6/2021	RH 100 18 FEB 22 530 PUT	500	3	\$25.46	-0.221	45.00%	30.98%	\$1,273,000	.RH220218P530	\$14.43	504
10/6/2021	RH 100 18 FEB 22 420 PUT	500	0	\$7.40	-0.07	50.42%	12.07%	\$370,000	.RH220218P420	\$3.40	502
9/13/2021	RH 100 18 FEB 22 670 PUT	101	7	\$64.90	-0.39	42.12%	50.10%	\$661,550	.RH220218P670	\$65.30	108
9/9/2021	RH 100 21 JAN 22 700 PUT	207	28	\$63.00	-0.39	44.56%	49.20%	\$1,355,850	.RH220121P700	\$90.80	126
9/3/2021	RH 100 20 JAN 23 700 CALL	264	120	\$142.60	0.59	47.96%	36.83%	\$3,764,640	.RH230120C700	\$98.19	310
9/3/2021	RH 100 20 JAN 23 680 CALL	222	162	\$152.10	0.611	48.43%	38.68%	\$3,376,620	.RH230120C680	\$110.10	304
8/3/2021	RH 100 21 JAN 22 600 PUT	104	26	\$52.30	-0.33	44.04%	44.54%	\$565,760	.RH220121P600	\$28.30	272
7/27/2021	RH 100 20 JAN 23 1000 CALL	162	25	\$55.30	0.31	42.69%	15.36%	\$934,740	.RH230120C1000	\$32.00	128
7/21/2021	RH 100 20 JAN 23 680 CALL	175	22	\$144.70	0.61	44.82%	39.11%	\$2,532,250	.RH230120C680	\$110.10	304
7/9/2021	RH 100 19 NOV 21 640 PUT	192	5	\$48.50	-0.32	47.48%	43.12%	\$992,640	.RH211119P640	\$5.84	450
7/9/2021	RH 100 19 NOV 21 480 PUT	211	18	\$11.00	-0.096	56.06%	16.69%	\$232,100	.RH211119P480	\$0.15	223
7/2/2021	RH 100 17 DEC 21 650 PUT	200	11	\$68.00	-0.364	46.17%	48.70%	\$1,360,000	.RH211217P650	\$40.90	254

**Potential Catalysts:** Earnings Early December

## **Disclaimer:**

### **Not Investment Advice or Recommendation**

*Any descriptions "to buy", "to sell", "long", "short" or any other trade related terminology should not be seen as a recommendation. The Author may or may not take positions in any of the names mentioned, and is not obligated to disclose positions, nor position sizes.*

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