



FEATURED OPTIONS RADAR



Beaten Down High-End Consumer Retailer Sees Large Opening Put Sales

Ticker/Price: RH (\$270.16)

Analysis:

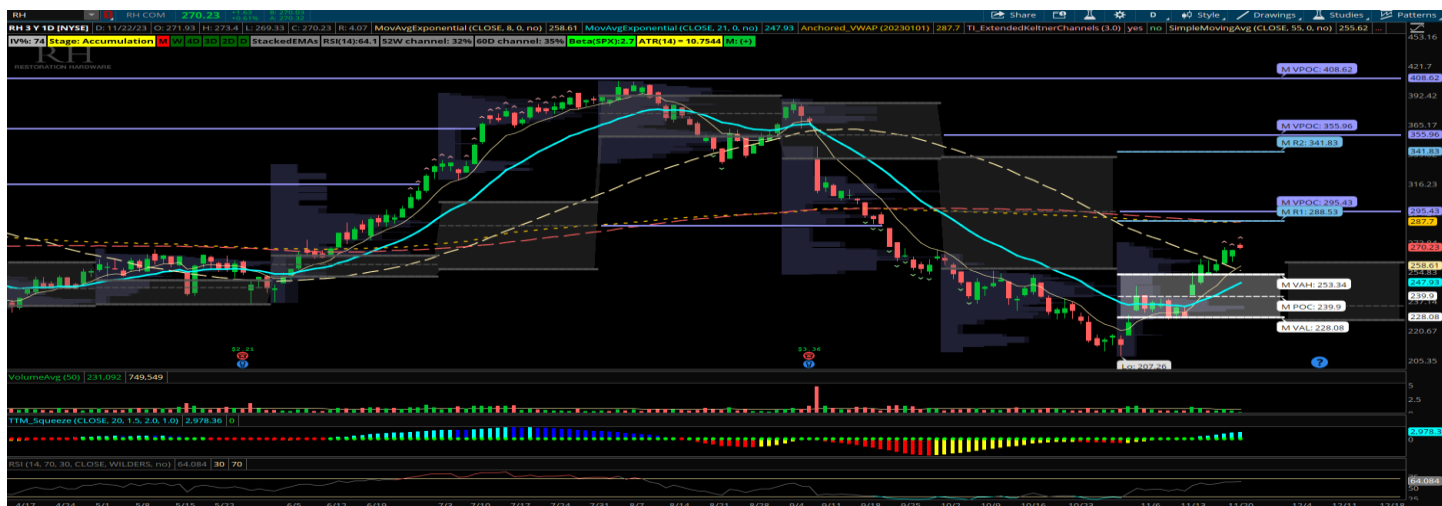
RH (RH) has seen some bullish opening puts sold recently into the reversal higher after a few months of hard selling action.

On 11/17 a large late day stock replacement sold to open 375 January 2025 \$210 puts for \$26.49 and over \$1 million of put premium harvested and willing to be long at those recent lows. RH also on 11/1 saw 150 June \$240 puts sell to open at \$47.00 and back on 10/4 saw 600 June \$220 puts sell to open at \$23.80 for over \$1.4M in sales and still holding in OI. RH also still has the 350 Sept 2024 \$340 ITM puts sold to open in open interest from sellers back on 9/6 at \$45.70 but underwater so far.

Also a recent opening seller of Jan 2025 \$330 calls at \$31.50 so that 330 level would be a likely good target on a rally into 2024. The \$5.0B luxury retail company trades at 20.0x earnings, 2.3x sales, FCF yield of 4.8% with revenues expected to fall -14% in FY24 and growth estimated at +7% in FY25. RH is a retailer and luxury lifestyle brand operating primarily in the home furnishings market. Shares have been rebounding in November strongly back over its monthly value area and now closing above its 55 day MA for a few days in a row looking to stay above the 260 zone of support now after the bounce. RH has its 200 day MA just above at 288 and lines up with YTD VWAP at the same level so a bigger target just above here and if can close a weekly candle above that then likely have seen a bottom in this interest rate sensitive consumer spending name. RH

sold off in late Summer on earnings and came down to the 210 level just below the large 2022 yearly value area of strong support retesting a big low from last year. Prices now reclaiming the 2022 volume point of control above 260 is a strong sign for potential rotation up to 340 long term. RH continues to expect the luxury housing market and broader economy to remain challenging throughout this fiscal year and into next year but with the recent drop in mortgage rates back to 2 month lows it helps names like RH that are tied to the interest rate sensitive high end consumer. Finally, it's notable that RH was very aggressive in terms of share buybacks in Q2. The company repurchased 3.7 million shares at an average price of \$325.65, representing approx. 17% of total shares outstanding at the beginning of Q2. Clearly, management sees some value in its share price. Average analyst price target is \$333. Citi lowered its target to \$341 but keeps a Buy rating saying macro fears about a slowing consumer into 2024 are high but a lot has been priced in with the negative earnings revisions. BAML lowered its target to \$345 but keeps a Buy rating as well saying Q4 guidance may underwhelm, the firm believes this is largely priced in given that shares corrected by over 35% since August. Short interest is high at 18.9%. Hedge fund ownership fell 31%.

Hawk Vision:



Hawk's Perspective: RH is a volatile name with the higher short float but can squeeze if rates continue to recede into year end. The options aren't too liquid but the Jan \$250/240 bull put spreads sold for \$3.30 can be a nice safer way to play.

Confidence Ranking: \$\$