



FEATURED OPTIONS RADAR REPORT



Big Long-Term Bull Bet in Furnishings Leader

Ticker/Price: RH (\$331)

RH (RH) unusual action on 3/7 with 400 January 2024 \$400 calls bought at the \$76 offer for more than \$3M and follows 300 March \$360 calls bought to open last week. RH shares are down 38% YTD and at the lowest level since September 2020 working into a large volume pocket with support seen at \$270. Shares recently broke under VWAP from the March 2020 bottom but do sit at a 61.8% Fibonacci level at \$327.50 as a potential oversold bounce level. RH is a leading luxury retailer in the home furnishings market across a number of categories, including furniture, lighting, textiles, bathware, décor, outdoor and garden, and child and teen furnishings. RH operates a total of 68 RH Galleries consisting of 24 Design Galleries, 38 legacy Galleries, 2 RH Modern Galleries and 4 RH Baby & Child Galleries. RH's long-term strategy is building the world's first consumer-facing architecture, interior design and landscape architecture services platform and amplifying the core business by adding new revenue streams while disrupting and redefining multiple industries. It sees moving beyond the \$170B home furnishing market into the housing market with the launch of RH Residences, fully furnished luxury homes, condominiums and apartments. RH has one of the largest product launches in history starting that should provide a nice lift to growth and beat expectations in 2022 with RH Contemporary and its Fall books pushed into 2022. RH currently has a market cap of \$7.66B and trades cheap at 12.7X Earnings, 8.7X EBITDA and 15.5X FCF with its next earnings report expected in late March. RH is seen generating 7-10% topline growth each of the next two years with 7-12% EBITDA growth. Analysts have an average target above \$700 and short interest is high at 15.8% of the float with some concerns on a weaker market environment impacting consumer spending as well as rising freight costs. Berkshire Hathaway is a top holder with nearly a \$1B stake and Lone Pine also has a large position as does D1 Capital. Barclays out positive on 2/4 calling it an opportune time to enter one of the most attractive global growth stories in retail. Wells Fargo cut its target to \$750 noting tough 1H22 comps but the company tends to perform well when rates are rising.

Hawk Vision:



Hawk's Perspective: RH requires a leap of faith with the chart freshly breaking down and \$270 a more attractive bounce level, a name I like the business and valuation but a tough market right now and likely can own lower.

Confidence Ranking: \$\$