

SPOTLIGHT OPTION TRADE



Puts in Retailer Facing Consumer and Housing Headwinds

TRADE SNAPSHOT

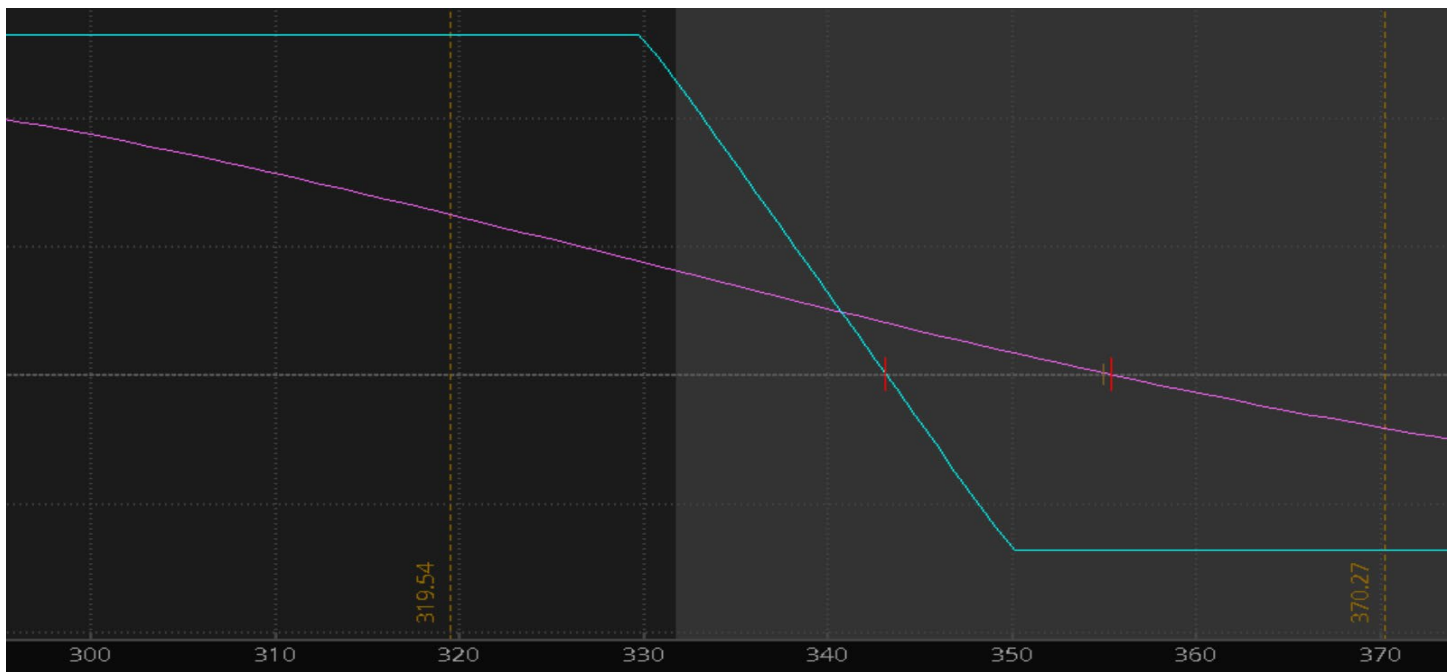
TICKER	RH
SECURITY	RH
SECTOR	Consumer Cyclical – Specialty Retail
CURRENT PRICE	\$355
LONG/SHORT	Short
TARGET	\$320
STOP	\$380
TIMEFRAME	1 Month

Trading Strategy: Long the RH September \$350/\$330 Put Spreads at \$6.80 or Better

Net Debit/Credit: Debit \$6.80

Profitability Zone: RH Below \$343.20 on September OpEx

Options Volatility / Trade Simulator View:





Technical Analysis: RH with a weak bounce off recent lows running into 21/34 EMA resistance and forming a potential bear pennant while a 50% retrace target sits at \$318.65 and VWAP from the March lows closer to \$305.



Fundamental Analysis: 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 currently has a market cap of \$8.1B and trades 23.8X Earnings, 2.4X Sales, 46X FCF and 16X EBITDA with a debt-heavy balance sheet. RH forecasts see revenues down 14.6% this year with EPS down 49% and the next two quarters setting up to be ugly ones in terms of growth contraction. RH's path to 20% EBIT margins and \$5B+ Sales looks to be further out than expected and its business is much more cyclical/volatile than peers. RH may be faced to utilize promotions to maintain market share which will weigh further on margins. Analysts have an average target of \$321 and short interest is 14% of the float, rising 29% Q/Q. Wedbush raised its target to \$360 last week seeing a potential beat though in-line with buy-side estimates, but also notes weak readthroughs from peers that saw a deceleration in big-ticket furniture spending. Citi raised its target to \$460 on 8/1 while TAG raised to \$365 positive on the buyback size.

Options Activity:

Date	Ticker	Contract	Volume	Price	OI	Delta	IV	Premium	Last	Current OI ▾	▲ Price %	▲ OI %
03-08-2022	RH	RH 100 19 JAN 24 320 CALL	2,501	\$105.3	5	0.66	53.04%	\$25,560,220	\$63.8	2,354	▼ 39.41%	▼ 6.07%
07-11-2023	RH	RH 100 15 SEP 23 320 PUT	281	\$11.7	93	-0.24	46.64%	\$325,960	\$4.85	1,974	▼ 58.55%	▲ 427.81%
08-22-2023	RH	RH 100 15 SEP 23 320 PUT	1,363	\$13.3	1,027	-0.36	58.31%	\$1,799,160	\$4.85	1,974	▼ 63.53%	▼ 17.41%
07-11-2023	RH	RH 100 15 SEP 23 300 PUT	3,423	\$6.28	843	-0.14	50.37%	\$2,190,720	\$2.05	1,743	▼ 67.36%	▼ 59.14%
03-15-2023	RH	RH 100 19 JAN 24 150 PUT	1,040	\$10.44	51	-0.12	62.98%	\$1,144,000	\$0.78	1,616	▲ 92.58%	▲ 48.12%
03-15-2023	RH	RH 100 19 JAN 24 410 CALL	1,000	\$10.42	199	0.21	49.98%	\$1,140,000	\$22	1,508	▼ 111.13%	▲ 25.77%
06-06-2022	RH	RH 100 19 JAN 24 440 CALL	143	\$48.8	77	0.45	54.62%	\$779,350	\$14.6	1,419	▼ 70.08%	▲ 545%
03-15-2023	RH	RH 100 19 JAN 24 440 CALL	1,000	\$7.78	83	0.16	48.93%	\$780,000	\$14.6	1,419	▲ 87.66%	▲ 31.02%
03-07-2022	RH	RH 100 19 JAN 24 400 CALL	416	\$75.48	59	0.54	51.34%	\$3,095,040	\$24.9	1,142	▼ 67.01%	▲ 140.42%

Potential Catalysts: Earnings Early September

Disclaimer:

Not Investment Advice or Recommendation

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