



## FEATURED OPTIONS RADAR REPORT



### Under Armour Calls Hot Near Recent Highs

**Ticker/Price:** UAA \$18.50

#### Analysis:

**Under Armour (UAA)** with 10,000 March \$20 calls bought up to \$1.25 to open, shares flagging under recent highs. UAA recently saw buyers in the July \$20/\$12.50 bull risk reversal, opening 6,000X12,000, and the April \$20 calls have over 4000 in open interest from October. Shares have traded well since September, the first major outperformance versus peer Nike (NKE) in over two years, and near a downtrend break from the 2015 highs above \$20. A move back to the high-end of the two-year value zone targets \$23 and then the next big volume node is \$30. The \$7.85B company trades 143X earnings, 1.75X sales, and 9X cash with low-teens growth expected in FY21, a big turnaround. UAA is coming off of a strong quarter with better-than-expected demand helping offset higher inventories from store closures in the beginning of 2020 while discounting and markdowns were at a minimum which helped margins. UAA is also realizing much higher cost savings than expected from their restructuring and now guiding to significantly higher efficiencies over the next 2-3 years. UAA expects to continue building out their e-commerce digital capabilities in 2021, especially DTC and customization, as they look to gain share on peers and capitalize on solid trends during the pandemic, especially among younger buyers. Analysts have an average target for shares of \$15.50 and Street High \$23.

B Riley positive last week citing a number of tailwinds in 2021 including lean inventory, cost control, store rationalization, accelerated shifts to e-commerce, easy first half of 2021 compares and fiscal stimulus. Pivotal upgrading to Buy on 1/4 noting that COVID has elevated athletic demand, which is a "rising tide" for Under Armour, and they should continue to see strong e-commerce adoption. Short interest is under 3% for the first time since 2006 and steadily falling since 2018. Hedge fund ownership rose 19.5% in Q3, Adage Capital, Armistice Capital, and Coatue notable buyers.

#### Hawk Vision:



**Hawk's Perspective:** UAA sets up well for a short-term move to new highs and clearly showing strength over the last couple months but overall prefer to stick with leaders **NKE** and **LULU**

**Confidence Ranking:** \$\$