



## FEATURED OPTIONS RADAR REPORT



### Put Buyer in Brick & Mortar Retailer Set for Decelerating Growth

**Ticker/Price:** ULTA (\$346.66)

#### Analysis:

**Ulta Beauty (ULTA)** with an interesting trade on 8/2 as the March 2022 \$325 puts bought 550X to open for \$1.65M with the company expected to report results later this month, 8-25. ULTA does not have a lot of notable open interest, the January \$330 calls have 1785 in OI and January 2023 \$340 calls with 1200 from a 12/2 buy. ULTA has closed lower two of its last three earnings reports. On the chart ULTA shares are setting up pretty well with a large ascending triangle forming above the rising 21-week moving average and looking to break out above the 2019 highs with resistance up at \$358 though the recent push higher as seen a bearish weekly RSI divergence develop and ULTA would have major downside back under \$319. Ulta Beauty is the largest beauty retailer in the United States and the premier beauty destination for cosmetics, fragrance, skin care products, hair care products, and salon services. In 2020, the beauty products industry totaled approximately \$92 billion and included cosmetics, haircare, fragrance, bath and body, skincare, salon styling tools, and other toiletries with ULTA having a 7% market share. The \$18.4B company now trades 24X Earnings, 2.66X Sales and 18X FCF with revenues seen rising 27.7% in 2022 off easy comps and then back to just 7% growth with EBITDA growth rates 79.5% and 9.6% respectively. ULTA is also rolling out a partnership with Target. The NPD Group showed strong Q2 numbers in beauty: “The US prestige beauty sales tracked at \$4.9bn for the second quarter, a year-on-year increase of 66% and a 6% rise above the same period in 2019. Brick and mortar purchases expanded by 284% yoy, while online sales declined by 19% lapping tough compares. Driven by changes in mask mandates and increased away from home activities, we saw partial recovery in makeup sales with yoy growth of 71% (lapping -52%) and lip products rising by approx. 100%. Skincare category increased by 32% yoy, while haircare grew by 70% (driven by DIY haircare/coloring and hair styling), on top of +7% growth in 2020. As the fragrance observes robust demand along with lapping a weak quarter, the category witnessed a meaningful growth of +123% yoy and +40% compared to 2Q19.” Analysts have an average target of \$375 with short interest 3.4% of the float. Goldman raised its target to \$437 this week on the strong channel checks. Raymond James upgraded to Outperform with a \$395 target recently on strong trends.

#### Hawk Vision:



**Hawk's Perspective:** ULTA has some mixed signals with a chart the sets up bullish and some January bullish OI, but also a name likely about to hit peak easy comp growth and could see multiple contraction through 2022. A close under \$333 would confirm a bear play.

**Confidence Ranking:** \$\$