



Bears Target Urban Outfitters After Tough Holiday

Ticker/Price: URBN \$25.75

Analysis:

Urban Outfitters (URBN) early buyers of 6,000 March \$25 puts up to \$1.55 and follows buyers in the March \$25/\$23 put spread on 1-27 and still has 2,275 March \$27 puts in OI. Shares are consolidating in a bear flag below the 50-MA and just above to break under the 200-day again with a big gap underneath back to \$21 and the August lows. URBN is forming a big weekly bear flag and eyeing continuation of the long-term downtrend. The \$2.69B retailer trades 11.6X earnings and 0.68x sales with estimates for mid-single digit EPS and decelerating revenue growth through 2022. URBN has struggled with foot traffic in recent quarters as they continue to shift more of their mix online and seeing margin pressures as they have heightened discounting, especially during peak calendar times. URBN said in early January that both Anthropologie and their flagship saw heightened promotional activity in the holiday season that converted to a subpar overall comp. They have key risk into March earnings from higher inventory levels, especially in their wholesale channel, after issues in Q3 that may compound. Analysts have an average target for shares of \$28. BMO starting at Neutral on 2-3 noting the name has seen heavy margin pressure and a slowdown in foot traffic and not seeing a strong indication of sustainable growth. Loop Capital downgrading to Hold in December seeing more downside for FY20 estimates and margins should continue to compress given the growth of Nuuly and the higher mix of e-commerce sales. Short interest is 10.8%. Hedge fund ownership rose 12.5% in Q3, 3G Capital a notable buyer of 1.56M shares.

Hawk Vision:



Hawk's Perspective: URBN is an attractive looking short option in a tough retail space with a key breakdown near here at \$25.65.

Confidence Ranking: \$\$