



## FEATURED OPTIONS RADAR REPORT



### Bulls Target Apparel Company Undergoing a Strategy Makeover

**Ticker/Price:** VSCO (\$53.50)

**Victoria's Secret (VSCO)** February \$50 calls active today with buyers of more than 2,000 on the morning as it pulls back into recent gap support, paying \$5.70 to \$5.80 to open. VSCO has seen buyers recently in the January \$45 and \$50 calls while the March \$65 calls with 1250X in OI from mid-October. Shares are trading in a narrow multi-month range under \$60.50 with a breakout targeting a run to \$72 and the August highs. VSCO gapped higher in late December and now consolidating in the short-term above the January value high and 50-MA. The \$5B company trades 7.68X earnings, 0.75X sales, and 15X cash with mid-to-high single digit growth. VSCO has seen sales rebound in late 2021, especially a strong Holiday season, and positioned well ahead of some big company-specific events in Q1 and product ramps like the Infinity Flex Bra and their maternity lines. They also continue to see balanced inventories despite supply chain issues impacting the broader industry which should help them as they start to lap some stimulus impact on sales from last year. VSCO is undergoing a big strategy shift as they look to rebrand their image and focusing more on new verticals like swimwear, expanding size options, as well as improving sales across their digital channels which grew 23% in Q3. VSCO is also sitting in a strong financial position and announced a \$250M ASR in late December as they look to start returning more capital in 2022. Analysts have an average target for shares of \$83. BAML positive on 12/30 citing strong Holiday sales and noting that continued strong execution and accelerated capital returns should continue to boost shares. Sales growth was strong during peak holiday shopping days and inventory is in good shape as the company begins its semi-annual sale. Evercore positive on 1/7, one of their top picks as focus shifts to value-oriented names in 2022 within retail. Short interest is 5.8%. Hedge fund ownership has been notable since the spin with Lone Pine, Egerton, Melvin Capital, Coatue, and Palestra all taking large stakes.

#### Hawk Vision:



**Hawk's Perspective:** VSCO is forming a nice base and can make a nice move above \$58.50 while the story continues to improve throughout 2022

**Confidence Ranking:** \$\$