



FEATURED OPTIONS RADAR REPORT



Large Bull Trade Bets on Home Goods Retailer Hitting Highs

Ticker/Price: WSM (\$156.55)

Analysis:

Williams-Sonoma (WSM) traded 12X daily options on 7/28 including a massive 5000 contract November \$170/\$140 bull risk reversal at a \$2.40 debit and late in the day the August \$160 calls bought up to \$4.20 for 1000X. WSM shares have pulled back since April and basing now just above its rising 144-day moving average while the gap back to \$139.65 remains unfilled. The \$150 level seen as current support and needs to clear \$177 to really get moving out of this trend. WSM is a leading omni-channel retailer of home products with key brands such as Williams Sonoma, Pottery Barn, Pottery Barn Kids, Pottery Barn Teen, West Elm, Williams Sonoma Home, Rejuvenation, and Mark and Graham. The \$11.4B company trades 13.6X Earnings, 1.55X Sales and 10.1X FCF with a 1.53% yield, very attractive valuation as multiples have compressed after the strong 2021 but expecting 13% revenue and 19.5% EBITDA growth in 2022 and should be levered to the strong trends in home ownership. The company thinks they are on an accelerated path to accomplish \$10B in net revenue by 2025 comprising Pottery Barn at \$3.5B, West Elm at >\$3B, Williams Sonoma at \$1.6B and PB Teen and Kids at \$1.4B. Analysts have an average target of \$180 and short interest is 8% of the float. Goldman cut shares to Sell on 7-22 seeing tougher 2022 comps and the return of promotions weighing on margins, a \$154 target. BAML raised to Neutral with a \$180 target in June seeing its competitive advantages around scale, supply chain, and ability to cross sell across four large and well-known brands. It also notes the \$600M in cash and rising FCF giving it ample room for higher capex and capital return. Wedbush raised its target to \$200 in May noting the strong growth and continuation of expanding operating margins from record levels. Hedge Fund ownership dipped 7.8% in the latest quarter, Aristotle adding to its large holding while Select Equity reduced its large position.

Hawk Vision:



Hawk's Perspective: WSM is a high-quality retail name, though do prefer RH to it, look for a bull 8/21 EMA trigger for a long signal versus \$150 support.

Confidence Ranking: \$\$