



Unusual Strategy Bullish Turning Point Brands on CBD Opportunity

Ticker/Price: TPB (\$50.40)

Analysis:

Turning Point Brands (TPB) seeing an interesting strategy this week with 1,000 January \$40 puts sold to buy 1,000 of the \$50/\$60 call spreads with shares trading near \$50. TPB shares have held up strong recently consolidating a big move in late April and a move above \$52 would start the next leg higher. A Director recently bought 2,000 shares at \$50.54/share. The \$967M Company operates in three segments, Smokeless Products, Smoking Products, and NewGen Products. Stoker's is its lead smokeless tobacco brand with chew being a cash cow and Moist a growing brand in a \$4B market. In Smoking, Zig-Zag is a leading brand with significant product launches expected in 2019. The New-Gen unit is intriguing from a growth perspective, the company spent \$56M in acquisitions and it focusing on vapor sales. TPB shares are trading 21.2X Earnings, 2.76X Sales and grew revenues 16% last year with 18% growth seen this year. Analysts have an average target of \$57.50 on shares and short interest rising recently to 5% of its float. TPB will begin rolling out its proprietary CBD products through its Nu-X subsidiary in Q2 and the CBD industry is estimated to grow to \$10B to \$25B in sales by 2025 making TPB a potential way to have exposure to this growth area with limited investment options. B. Riley out positive recently with a \$56 target and Cowen has a \$59 target. Hedge Fund ownership down 9.5% in Q1 filings.

Hawk Vision:



Trading Strategy: TPB is clearly the name you want to own in the Tobacco space and has interesting growth prospects making it a very attractive own.

Confidence Ranking: \$\$