



Crown Calls Active as Shares Quickly Recover from Earnings

Ticker/Price: CCK (\$60.40)

Analysis:

Crown Holdings (CCK) buyers of 1,650 August \$60 calls early up to \$1.30 and now over 3,700 trading on the day, 8X average volume. CCK has 2,500 January OTM \$70 calls in OI from buyers recently as well. CCK had some August put spreads opened last week as well, likely hedging into earnings. Shares are trading in a multi-month range under \$62/\$63 after a strong run to start the year with a continuation higher targeting \$68/\$70. RSI is moving back above 50 and MACD pulling back just above zero and turning higher, near a bull crossover. The \$8.06B company trades 10.5X earnings, 0.69X sales, and 26.8X cash with EPS growth accelerating over the next two years, up 10.3% and 12% to its highest level ever. CCK sees 2.3% and 2.8% revenue growth. CCK has secular tailwinds from growth in beverage cans, especially in Asia, and seeing more companies shift resources for some products from plastics to aluminum like Pepsi announced on 7-4. Their Signode acquisition has been a near-term drag given pricing concerns but multi-year cost synergies ramping and sets CCK up well longer-term with strong market position in the EU. Analysts have an average target for shares of \$65. Baird positive on 7-19 with a \$65 PT citing the combination of continued balance sheet deleveraging, steady execution within the Signode vertical, and a visibly long growth curve for beverage can demand sums to an attractive multi-year thesis. Short interest is 5.7% and down from around 10.5% in late 2018. Hedge Fund ownership rose 9.87% in Q1. Lyrical Asset Management with 5.1M shares, a 3.75% weight, while Adage Capital, Viking Global, and Anchor Bold all notable holders as well.

Hawk Vision:



Hawk's Perspective: CCK is showing a quick snapback from earnings along with bullish positioning, traditionally a high success rate signal. It is, like we have seen in the best, a hedge fund betting on the synergies paying off over time from Signode.

Confidence Ranking: \$\$