



Size Calls Bought in Croc's After Sell-off

Ticker/Price: CROX (\$20.90)

Analysis:

Crocs (CROX) with more than 5,400 August \$20 calls bought on the day up to \$2.20 to open and still has 5,000 September \$20 calls and 2,000 July \$22 calls in OI from buyers, the former sitting on nice gains from the recent lows. Shares are looking to move out of a multi-week base above \$21 with a target of \$24 in the near-term and longer-term room back to \$27.50 and a big VPOC from earlier this year. CROX has been in a strong trend higher since early 2017 and pulled back right to the 50% Fibonacci in June where it found support. The \$1.45B apparel company trades 14.5X earnings, 1.3X sales, and 16.8X cash with 22.9% and 21.7% EPS growth expected. The company sees 4.8% to 5.1% sales growth. CROX sees limited impact from tariffs as their sourcing is more wide-spread than peers and they see less than 10% from China in 2020. The company is coming off of a mixed quarter but seeing accelerated sell-through and strength in DTC driving above-seasonal demand. Their DTC business has seen five straight quarters of double-digit comps growth. Analysts have an average target for shares of \$29.50 with 5 buy ratings and 2 hold. CL King upgraded shares to Buy on 6-27 and Baird upgrading to Outperform on 6-21 with a \$29 PT. Pivotal has a \$35 PT for shares citing brand momentum and strength in wholesale. Piper with a \$22 PT but thinks upcoming product launches could provide long-term sales growth potential. Short interest is 9.1% and down from around 14% in mid-2018. Hedge Fund ownership rose 10.5%. Woodson Capital and Apertura Capital two concentrated holders.

Hawk Vision:



Trading Strategy: CROX is clearly under some selling pressure and prefer to stick to the healthier acting leaders like LULU/NKE so only of interest as a more speculative play, a name that makes so much sense as a tuck-in acquisition target for a larger Co.

Confidence Ranking: \$\$