



Zoetis Bulls Position for Further Upside

Ticker/Price: ZTS (\$115.45)

Analysis:

Zoetis (ZTS) will report earnings on 8/6 before the open and buyers active yesterday for 4,500 August 9th (W) \$115 calls for \$2.75 to \$2.80. ZTS has seen buyers active in the August \$114 calls and August \$110 calls recently with some longer-dated January 2021 calls in OI as well. The Street is looking for \$0.82 on \$1.52B with the FY estimates at \$3.49 and \$6.19B. Shares have closed higher each of the last four with an average closing move of 4.58%. Shares are trading in a narrow range above the 20-day MA with a breakout targeting \$120. MACD is nearing a bullish crossover while RSI remains strong at 62. The long-term range targets a move up to \$130. The \$55.67B company trades 29.8X earnings, 9.4X sales, and 31X cash with a 0.57% yield. ZTS is guiding to 10.9% and 12.8% EPS growth with revenue growth of 6.7% and 6.3%. Analysts have an average target for shares of \$112. Stifel raising their PT to \$130 on 7-22 with recent checks indicating that a Triple combo product "is the most sought after future pharmaceutical product innovation that Veterinarians want to see" and he believes being first to market such a "Triple" can meaningfully increase Zoetis' market share in parasiticides. In addition to a Triple, Veterinarians' want for a product for feline pain, which Zoetis may introduce in 2021. Craig Hallum raising their PT to \$132 on 6-25 despite livestock headwinds. Guggenheim starting at Buy on 5-23 with a \$114 PT. They think ZTS's current "big three" of Simparica, CYTOPOINT, and Apoquel will allow it to meet near-term growth targets and thinks the company should see significant growth from new products in pain and parasiticides that are currently underappreciated. Short interest is 0.8% and down from around 1.4% earlier this year. Hedge Fund ownership rose 12.29% in Q1. AQR, DSM Capital, and Bristol Gate notable holders.

Hawk Vision:



Hawk's Perspective: ZTS remains the premiere name to own in Animal Health and see little stopping its momentum, a high quality company.

Confidence Ranking: \$\$