



Croc's Call Buys Continue to See Brand Momentum, Relative Strength

Ticker/Price: CROX \$36.66

Analysis:

Croc's (CROX) adding another 600 January \$36 calls yesterday around \$2, follows buyers of 1600 on 12-4 as well as the March \$36 calls on 11-12 over 700X. CROX still has over 8,000 Jan. 2021 \$45 calls in OI bought back in August. Shares have been on a strong run since June, more than doubling in price and outpacing the XRT by a wide margin, and consolidating now in a weekly flag under \$37.50 with a breakout targeting \$42.50. The recent range breakout targets \$47-\$48. The \$2.54B company trades 18.6X earnings, 2.15X sales, and 41X FCF with high-teens EPS growth. CROX is seeing better revenue acceleration and margins, both expected to continue higher in 2020. CROX continues to see strong new product uptake while price hikes in North America haven't dampened demand. They expect further hikes in wholesale this upcoming Spring which is helping mitigate tariffs. The company is also investing better in targeted marketing and collaborations. Short interest is 5.1%, down from 13.8% in August, and the lowest level since 2014. Hedge fund ownership fell 13.5% in Q3. Melvin Capital a big buyer of 2.1M shares, a new position, while Portolan Capital and Maverick also buyers. Analysts have an average target for shares of \$36. Piper positive in October after CROX had an impressive showing in their Fall Teen Survey. They also note the brand momentum remains strong citing the sold out Urban Outfitters' Crocs x Chinatown Market collab & strength w/Vera Bradley in July.

Hawk Vision:



Hawk's Perspective: CROX has run a lot this year and a bit extended after three strong days off the 50-MA test, one to watch on a pullback to the 8-EMA or if targeting those longer-dated calls can be patient.

Confidence Ranking: \$\$