



## Adjustment by Clearwater Paper Bull

Ticker/Price: CLW (\$24.20)

### Analysis:

**Clearwater Paper (CLW)** buyer of the April \$25 calls 3,000X for \$2.75, closing 5,000 of the April \$30 calls and rolling back. CLW continue to have 2,700 April \$22.50 calls and 2,200 April \$20 calls in OI while the \$25 calls had 1,150 in OI from buyers. Shares have been showing some relative strength recently and filling a small gap today from January. CLW is also back to VWAP from the October earnings report, an ideal bounce spot. The \$453M company trades 0.7X EV/sales with accelerating revenue growth the next two years, up 2.85% and 10.17%. FY22 expected to a big inflection year for shares after years of investment in expanding capacity at their Shelby, NC facility. CLW is a new CEO story after announcing a change on 1-29 and shares jumped more than 20%. They also announced a new independent chairman. The move follows years of execution issues, cost overruns, poorly timed M&A deals, and much more while the balance sheet got stretched as well. CLW sees management bringing new discipline and focus as they look to finally ramp production and gain share in the growing tissue market. Analysts have an average target for shares of \$35.50. RBC upgrading to Neutral in January seeing CLW having reduced its downside risk by working past prior challenges, having navigated the union negotiations and gotten past peak leverage. DA Davidson positive on the name as well and a \$44 PT. The firm thinks its assets are some of the "most undervalued across our universe" and its profitability and cash flow should improve in the coming years after a transitional 2019. Short interest is 3.5% and down from 7.8% in September. Hedge fund ownership fell 4% in Q4. In May, the former CEO bought stock at \$17.92, the first open market buy in over four years.

### Hawk Vision:



**Hawk's Perspective:** CLW is an interesting relative strength name and developing story that quickly could get back to highs in a healthier tape.

**Confidence Ranking:** \$\$