



## Herbalife Puts Accumulate into Q1 Update

Ticker/Price: HLF \$31.85

### Analysis:

**Herbalife (HLF)** relative weakness today after rebounding to the declining 50-MA and the May \$35 put open interest rising again today to over 10,000X as buyers continue to add in size up to \$5.90. HLF has seen bearish flow accumulate over the last two months including action recently in the May \$30 puts, January 2022 \$17.50 puts, and August \$25 puts. The recent bear pennant back up to the \$31.75 level and just shy of the 50% retracement has support around \$30 and a breakdown targets a return back to the lows around \$22.50. MACD is back around zero and momentum waning a bit in the short-term. The \$4.77B company trades 9.37X earnings, 1X sales, and 13.5X FCF. HLF hasn't updated guidance since February earnings and still expecting mid-single digit revenue growth in FY21, albeit likely optimistic given the shutdowns in the US and abroad. HLF likely sees near-term pressure from the spread of coronavirus in both the US and China as their business model is reliant on both person-to-person sales as well as the financial strength of their individual network which may see a setback. HLF also likely faces headwinds during Chinese New Year which is one of their strongest seasonal periods. HLF has been ramping investments in China as they expand their plant square footage and potential supply disruptions in Hunan in focus. Analysts have an average target for shares of \$34. HLF hasn't had a lot of recent analyst coverage. Short interest is 3.2%. Hedge fund ownership fell 4% in Q4. Lone Pine a buyer of 1.7M shares while Carl Icahn remains the top holder with 35M shares.

### Hawk Vision:



**Hawk's Perspective:** We haven't seen updates from either of the big MLM plays in China (USNA or HLF) and have to imagine given the nature of their businesses they'll see sharp slowdowns in Q1. I think HLF under \$30 is a nice short opportunity vs that declining 50-MA but given the overall market strength, patience on the signal key.

Confidence Ranking: \$\$