



Lamar Bears Expect Pressure from Ad Spend

Ticker/Price: LAMR \$67.25

Analysis:

Lamar Advertising (LAMR) with a sizable buy of 2,000 August \$67.50 puts up to \$8 on 6/24 and name that has some October \$57.50 puts in OI from buyers in mid-May. Shares rallied from the March lows back to the 61.8% Fibonacci as well as the 200-MA where it has found some resistance this week. LAMR is back below the 8- and 21-EMA and under \$63.75 has room to \$56. The \$6.77B company trades 23.6X earnings, 3.8X sales, and 13.6X cash with a 3% yield. LAMR is the largest outdoor advertiser in North America with billboard, interstate, transit, and airport advertising. The company faces headwinds from an expected decline in advertising spend with GroupM expecting a 12% decline in 2020. LAMR is also uniquely exposed to secular shifts in ad spend with more money moving online and into e-commerce verticals, away from physical locations. GroupM thinks 'Out of Home' advertising spend will fall 25%, more than the average. LAMR noted on 6/12 at the JP Morgan conference that they're exposure to small business remains outsized and they've shifted to flex or suspended billing. Analysts have an average target for shares of \$66. MKM lowering their PT to \$53 in April as Lamar's headwinds are compounded by its meaningful exposure to local "MainStreet" businesses, and as a result, may require an extended period for a recovery once the domestic economy reopens. Short interest is 2.2%. Hedge fund ownership rose 8.29% in Q1. Select Equity, King Street Capital, and Waratah Capital notable buyers. LAMR had a \$990K insider buy in May at \$58.27.

Hawk Vision:



Hawk's Perspective: LAMR has a clear bear thesis and think it could be a nice pair trade against of the more growth-oriented ad names, especially those focused on e-commerce. It's a bit extended here down but a bounce back into the falling 8-EMA could be a nice r/r short.

Confidence Ranking: \$\$