



FEATURED OPTIONS RADAR REPORT



Zoetis Bulls Willing to Own Stock at Current Level

Ticker/Price: ZTS (\$165.50)

Analysis:

Zoetis (ZTS) with 1,200 November \$165 puts sold to open for \$7.10 as the October \$165 puts close 800X and adjust from 8/7 and name that saw buyers in the April \$185 calls over 700X on 9/2 for more than \$500K. ZTS also has 700 April \$145 short puts and 750 January \$140 short puts in OI, although pretty far OTM at this point. Shares are breaking out of a narrow multi-week range today to new highs with a measured move to \$180. The \$75.8B company trades 39X earnings, 12X sales, and 68X FCF with limited near-term debt maturities. ZTS is targeting mid-teens EPS growth while growing the topline at 6% to 7.5% annually. ZTS is coming off a solid quarter with their companion animal business continuing to see tailwinds from higher pet ownership and adoption trends during the pandemic. Their livestock business has been under pressure but the company expects a turnaround in 2021 behind higher food service and restaurant demand as well as more export opportunities for US producers. ZTS has executed well over the last 2-3 years as they expand vaccine franchises and build out a best-in-class diagnostics business with recent deals in point-of-care and reference labs. They expect to launch a new platform for pet care in Q3, a disruptive move which will “bring clinical pathology right to the point-of-care.” Analysts have an average target for shares of \$156.50 and many cautious on valuation recently despite positive on the long-term business. Truist with a \$160 PT in August but cautious on valuation as investors are paying a premium for the thematic appeal, solid execution, and market leadership at these levels. Atlantic out with a Buy and a Street High \$191 last week. Short interest is 0.7% and near 5-year lows. Hedge fund ownership rose 0.5% in Q2, Polen Capital a buyer of 1M shares and now with 10M total. ZTS will report on 11-5 and solid history higher in 8 of the last 10.

Hawk Vision:



Hawk's Perspective: ZTS has a beautiful chart and is a best-in-class core own, these trades give confidence in owning the name further.

Confidence Ranking: \$\$