



## FEATURED OPTIONS RADAR REPORT



### Clearwater Bulls See More Upside on Strong End-Markets

Ticker/Price: CLW (\$40.95)

#### Analysis:

**Clearwater Paper (CLW)** with a large trade on 10/8 that bought 2500 November \$45/\$55 call spreads and sold 1000 of the \$35 puts to open adjusting out of 2000 October \$35 calls that opened on 9/10, a name that has seen bullish positioning since March that has adjusted on the way up. CLW still has a lot of October \$25, \$30, and \$40 calls in open interest, the latter sold to open, and shares hitting that target this week. This spread is positioning for further momentum and targeting a move back to levels last seen for shares in 2017. The \$675M small cap sells private label tissues and bleached paperboard products. CLW hired a new CEO to start 2020 after years of execution issues, cost overruns, poorly timed M&A deals, and much more while the balance sheet got stretched as well. CLW's two businesses are fairly split 50/50 for sales and EBITDA contributions. The company is eyeing a net debt to adjusted EBITDA ratio of 2.5X and has no debt maturities until 2025. CLW is a leader in the private brand tissue market which is 1/3 of the overall market and it has a national footprint to scale and partner with key retailers. RISI anticipates the private brand share to grow to 36% of the U.S. retail market by 2026. The premium white paperboard industry is comprised of folding cartons, cup/plate, and liquid packaging for juice, milk and such. CLW is clearly tied to a lot of the at-home consumer trends with both of its business segments. CLW is now at full production run-rate for its Shelby paper machine it has invested in and sees achieving full benefits by the end of 2021. Analysts have an average target of \$50 and short interest is 5% of the float. CLW does not see a lot of analyst coverage, upgraded at RBC on May citing clear tailwinds for its end-markets. Hedge Fund ownership rose 10.8% in Q2 filings.

#### Hawk Vision:



**Hawk's Perspective:** CLW has done well since our write-up in March and near-term stretched but everything lines up for them posting another very strong quarter in late October.

**Confidence Ranking:** \$\$