



Avery Dennison Unusual Bullish Activity

Ticker/Price: AVY (\$129.35)

Analysis:

Avery Dennison (AVY) with over 700 February \$130 calls being bought today up to \$5.30 and follows 920 of the February \$120 puts sold to open on 12/27. Today's activity is tracking nearly 20X average for the name. AVY shares are consolidating in a multi-week range after a big earnings move in October with a breakout targeting \$145. Longer-term, shares cleared the 2017 peak recently and big two-year range targets \$165/\$170. The \$10.9B company trades 18.5X earnings, 1.55X sales, and 33.6X FCF with a 1.77% yield. AVY makes pressure-sensitive materials, labels and tags, and RFID inlays that are used across retail, personal care, pharmaceutical, automotive industries. AVY sees a big driver going forward from RFID adoption in the apparel market, a smaller part of their mix now but expected to grow 15% to 20% annually. They are the leader in the space today with 50% market share and more companies are buying into their use for better inventory management, especially as omni-channel growth surges. In November, AVY bought Smartrac's RFID transponder business as they doubled-down on the new tech that has seen Nike, Under Armour, L Brands, and more announce RFID plans in 2019. Smartrac gives them not just exposure to passive RFID but also NFC offerings and a much bigger base exposure to the growing trend. AVY sees accelerating revenue growth the next two years with double-digit EPS growth. Short interest is 1.9%. Institutional ownership fell 1.5% in Q3. Analysts have an average target for shares of \$125. MSCO with a Neutral rating on 12-17 citing some demand softness into 2020 but the company is executing well. BAML upgrading to Buy in September with a \$130 PT. They think AVY could see accelerated cost-reduction benefits and related activities into 2020. They also think AVY could take down capital spending in 2020, 2021, and 2022.

Hawk Vision:



Hawk's Perspective: AVY screens as a favorite in a tough space but on a technical view is breaking down today so need to see better price-action over the next month for a play into its next report.

Confidence Ranking: \$\$