



## Colgate Calls Accumulate for Q2 Upside

**Ticker/Price:** CL (\$70.85)

### Analysis:

**Colgate-Palmolive (CL)** continuing to draw bullish flows lately with buyers yesterday for more than 2,500 August \$72.50 calls as well as some \$75 calls which pushed open interest above 2,000. The May \$75 calls have seen accumulation as well with over 26,500 bought and many spread with the \$80 calls. Shares are working back above the 200-day MA and forming the right shoulder of a large nearly 3-year inverted head and shoulders pattern under \$75. A move higher would target \$90-\$100 longer-term and seeing an early weekly MACD crossover recently and strengthening RSI. The \$61.14B company trades 23.84X earnings and nearly 4X sales with a 2.4% yield. They are guiding to 5%+ EPS growth the next two years with 3-4% revenue growth. CL is undergoing a big mix shift towards more premiumization of their portfolio across both consumer brands and pet food and has positive catalysts into 2020 with the launch of more Naturals products and Optic White. One avenue this push could take in 2020 is looking for tack-on deals in skincare where they are looking to grow, one of the more resilient areas in cosmetics in 2019. CL bought Filorga for \$1.66B recently and could buy some of Coty's divested brands. They're also focusing on growth in pet food where they relaunched in 2019 under the Hill's Science Diet label. Analysts have an average target for shares of \$73. BAML downgrading to Neutral in December concerned with its struggles to reverse market share losses in toothpaste as well as the more challenging comps expected in 2020. The firm also thinks 2020 may become another year of "outsized investment." Short interest is 1.6%. Hedge fund ownership fell 5% in Q3 but Alkeon remains a top holder of call options while AQR adding another 2.38M shares.

### Hawk Vision:



**Hawk's Perspective:** CL shares have been in an annoying range for the past few years though a name I still think could draw a large M&A deal down the road. It trades rich for its lack of growth but Emerging Market upside could make it attractive, a name I like to own with downside protective puts that are cheap.

**Confidence Ranking:** \$\$