



FEATURED OPTIONS RADAR REPORT



As Inflationary Pressure Weighs on Consumer, Bears See More Weakness for Laggard Staple

Ticker/Price: CLX (\$147)

Analysis:

Clorox (CLX) buyer of 1,500 July \$145 puts today for \$4.20 to open, rolling off the 200-MA after the recent rally. CLX had a size buyer of 6,450 July \$140 puts on 5/4 for \$2.65M that remains in OI. CLX has seen some short-term call buys recently but most expiring on Friday. Shares rebounded from recent lows to test a big gap from January and the 200-MA where shares stalled out this week. A move under May's narrow value range at \$143 has room back down to \$135 and then the lows at \$125. The \$19.15B company trades 28.5X earnings, 2.7X sales, and 80X cash with a 3% yield and 5% short interest. CLX is coming off of a weak quarter with pressure mounting on the consumer and the company cutting the FY outlook seeing sales down 1-4%. The company announced another round of price hikes, too, with the majority of their portfolio having multiple rounds now by July. CLX is also grappling with potential for a higher promotional environment in the 2H from peers which could inevitably force their hand to follow suit, mitigate the impact of pricing changes and weaken margins further. A longer-term impact of the inflationary environment could also be a greater consumer shift to private label products versus branded items, especially on the low-end consumer. Analysts have an average target for shares of \$148 with a Street Low of \$117. DA Davidson lowering estimates in May noting that consumer demand appears weaker than expected given recent price hikes while the stock remains pricey at 22X FY23 earnings. Goldman lowering estimates to \$127 recently and keeping a Sell rating as inflationary pressures will stay higher for longer. JP Morgan keeps an Underweight for shares noting that they expect commodities costs, transportation pressures and currency headwinds to remain. Hedge fund ownership fell 15.5%.

Hawk Vision:



Hawk's Perspective: CLX was a top short idea in the 2022 Outlook and they continue to face pressures in both the near-term and longer-timeframe as consumer behavior shifts; today's candle is ugly but one to short on rebounds with an eye on those recent lows

Confidence Ranking: \$\$