



FEATURED OPTIONS RADAR REPORT



Massive Call Buy in Beauty Products Co. Following Large Stake Sale

Ticker/Price: COTY (\$8.30)

Analysis:

Coty (COTY) into weakness last week saw buyers of 37,000 November \$9 calls and 25,000 November \$8 calls in large lots. COTY also still has a lot of short put open interest including January 2023 \$7 puts and February \$8 puts. COTY sold off last week on a 50M share offering but held right at YTD lower value and a key volume node. COTY also remains above its March 2021 flag breakout level and retested that in August, now sitting right on the rising 200-day moving average. Coty Inc. is one of the world's largest beauty companies with an iconic portfolio of brands across fragrance, color cosmetics, and skin and body care. COTY has been transforming more towards DTC and added the King Kylie and Kim Kardashian West transactions to its portfolio. COTY is undergoing a comprehensive transformation agenda which aims to stabilize and accelerate revenue growth, improve profitability through gross margin growth and cost control, optimize the operating model for speed and agility, accelerate e-commerce and digital growth, and deleverage the balance sheet. COTY currently has a market cap of \$6.7B and trades 27.85X Earnings, 1.44X Sales and 44X FCF with revenues seen rising 14% in 2022, best since 2017, while EBITDA seen rising 20.7% after gaining 38% in 2021. COTY is coming off a solid quarter as consumer beauty brands grew close to 40%, driven in part by the turnaround in CoverGirl and the renewed consumer migration towards trusted brands. COTY's EBITDA margins came in 300 bps above pre-COVID levels. Analysts have an average target of \$11 with short interest at 6% of the float. Deutsche Bank out last week saying the 50M share secondary sent a negative signal as KKR sees a point for profit taking. COTY announced in August it may pursue a partial IPO of the Brazil business. Citi added COTY to its Focus List in April with a \$15 target positive on the strategic update.

Hawk Vision:



Hawk's Perspective: COTY looks like a potential opportunity here with upside to around \$11 but also favor **ELF** to it which is smaller with better growth & margins.

Confidence Ranking: \$\$