



China Mobile Unusual Calls Bought as Shares Base

Ticker/Price: HLF (\$46.40)

Analysis:

Herbalife (HLF) with 2,000 May \$47.50 calls bought today \$3.00 to \$3.20 to open and follows buyers on Friday of 1,250 February \$45 calls. HLF also has 1,500 February \$37.50 calls in OI from August and some small, very low delta put buys in December. The company will be at CAGNY in mid-February and also likely has earnings around 2-18. Shares are down 1.5% today on the China scare with about one-third of their revenue in the country but back to the 50-MA and multi-month support here they've bounced. HLF is also testing the November/December value-area high and a move higher targets \$51/\$52 on a breakout with MACD and RSI both supportive of a run. The \$6.87B company trades 15.2X earnings, 1.4X sales, and 9.5X cash with accelerating top and bottom line projections out to FY21. HLF has emerged enters 2020 with its SEC settlement issues behind them and a new CEO in place who is looking to rehab the image of the company as one positioned well to take advantage of growing themes in CPG like weight management, health and wellness, and nutrition. They reported strong volumes in October and notable improvement in Asia, North America, and EMEA. HLF sees a big opportunity in India where the freelance/gig market is expected to grow by \$20B to \$30B by 2025 and supported by government efforts to grow small business. Analysts have an average target for shares of \$41.50 with 4 buy and 2 hold. Citi with a Buy rating and \$55 PT on 12-4 while Stifel positive in October expecting China results to be "less bad" in 2020 as they start to lap some tough comps from the regulatory issues in 2019. Pivotal with a \$65 PT noting that China has not been a problem of HLF's making and they continue to guide well in the US and abroad. Short interest is 3.4% -- the lowest since 2012 -- and down sharply from mid-2017 when it was near 30%. Hedge fund ownership rose 3% in Q3 with Carl Icahn adding again and now with 35.2M shares. Deccan Value also with 11.8M shares and adding 2M in Q3.

Hawk Vision:



Hawk's Perspective: HLF has a nice pattern to trade against the lows from this morning that held the 50 MA, and remains an interesting opportunity on Health & Wellness as well as the Icahn stake.

Confidence Ranking: \$\$