

## SPOTLIGHT OPTION TRADE



### Puts in Beverage Company Facing Headwinds from Consumer Slowdown

#### TRADE SNAPSHOT

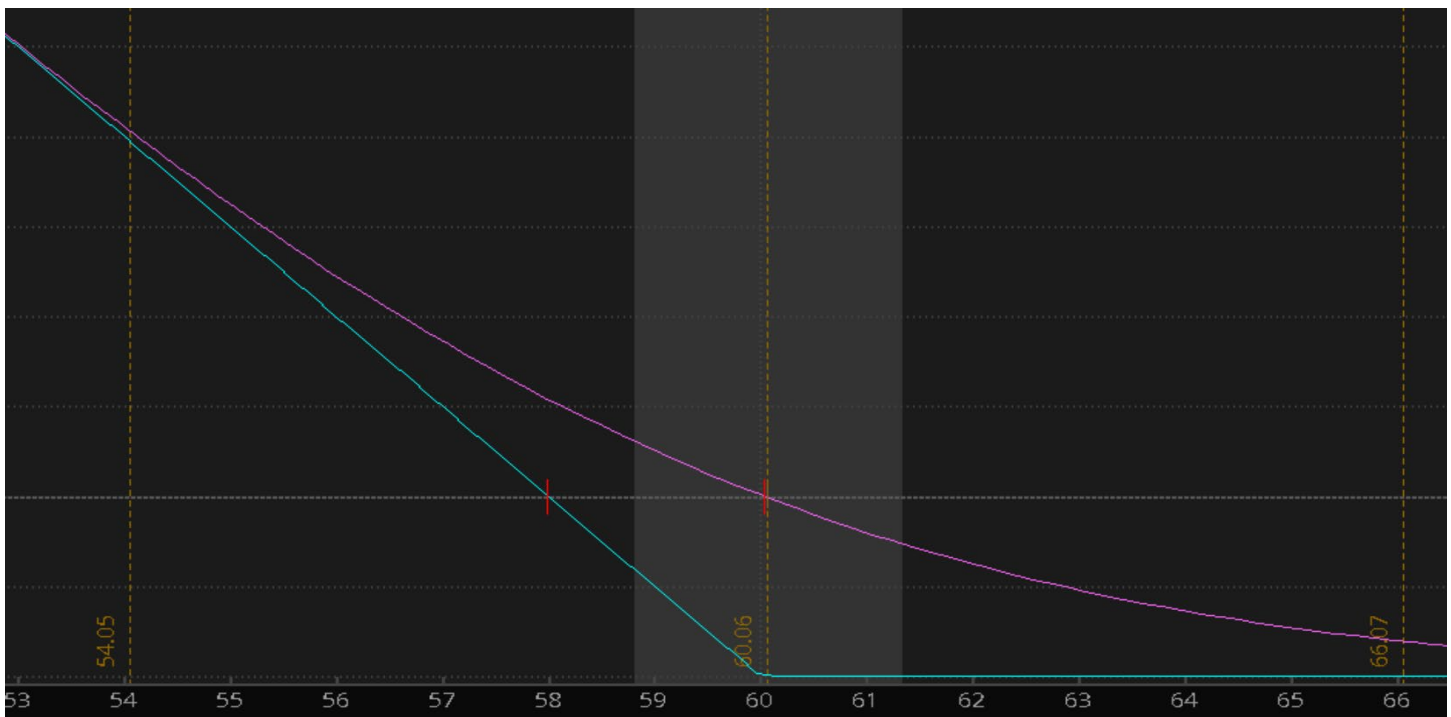
TICKER	KO
SECURITY	Coca Cola
SECTOR	Consumer Goods - Beverages
CURRENT PRICE	\$60.1
LONG/SHORT	Short
TARGET	\$57
STOP	\$63
TIMEFRAME	3 Months

**Trading Strategy:** Long **KO** December \$60 Puts at \$2 or Better

**Net Debit/Credit:** Debit of \$2

**Profitability Zone:** KO Shares Below \$58 on December OpEx

**Options Volatility / Trade Simulator View:**





**Technical Analysis:** KO is breaking under the monthly value low and below all key moving averages as well as VWAP from 2022 lows. Shares look likely to test the 200-week EMA that was support in 2022 while MACD is in a sell signal along with weekly RSI.



**Fundamental Analysis:** KO is a global leading beverage company in sparkling soft drinks; water, enhanced water and sports drinks; juice, dairy and plant-based beverages; tea and coffee; and energy drinks. KO has a market cap of \$260B and trades 21.25X Earnings, 20X EBITDA and 27X FCF with a 3% dividend yield and an outlook for 4-5.5% annual revenues growth with 6-8% EPS growth. KO has plenty of debt which could be impacted by higher rates. KO has traditionally traded in the 12-22X EBITDA range with 16X the lowest since 2016. The latest scanner data shows solid Y/Y growth but the rate of growth is certainly starting to slow. A potential tax litigation issue could cost the company up to \$14B in payments as an interesting downside catalyst. Analysts have an average target of \$70 and short interest is low at 0.5% of the float. Citi started at Buy with a \$68 target in February on market share gains, an improved margin structure and better advertising spend. MSCO has a \$70 target saying KO offers outsized sales growth vs. peers, with strong pricing. limited demand elasticity, higher marketing, and improved execution with a reorganization, and better margin performance with productivity and a strong pricing environment. Argus recently defended shares with a \$73 target seeing management taking steps to diversify away from sugary soda drinks.

### Options Activity:

Date ▾	Ticker	Contract	Volume	Price	OI	Delta	IV	Premium	Last	Current OI	▲ Price %	▲ OI %
08-08-2023	KO	KO 100 16 FEB 24 60 PUT	850	\$2.05	402	-0.40	15.82%	\$177,650	\$2.36	963	▲ 14.88%	▼ 23.08%
08-07-2023	KO	KO 100 20 OCT 23 60 PUT	2,223	\$0.97	1,652	-0.34	15.03%	\$217,854	\$1.36	4,685	▲ 40.21%	▲ 20.9%
08-03-2023	KO	KO 100 17 NOV 23 55 PUT	5,435	\$0.36	3,347	-0.11	18.98%	\$201,095	\$0.43	8,765	▲ 19.44%	▼ 0.19%
06-28-2023	KO	KO 100 21 JUN 24 62.5 PUT	2,176	\$3.95	282	-0.53	14.37%	\$870,400	\$4.23	2,546	▲ 6.96%	▲ 3.58%
06-22-2023	KO	KO 100 15 DEC 23 55 PUT	2,192	\$0.5	2,105	-0.13	17.05%	\$113,984	\$0.64	2,429	▲ 28%	▼ 43.47%
06-15-2023	KO	KO 100 17 NOV 23 62.5 CALL	2,023	\$1.73	1,723	0.43	14.54%	\$370,209	\$0.83	11,910	▼ 52.02%	▲ 217.94%
06-06-2023	KO	KO 100 17 JAN 25 60 CALL	3,511	\$6.06	3,295	0.58	17.64%	\$2,264,595	\$5.88	7,043	▲ 3.05%	▲ 3.48%
05-31-2023	KO	KO 100 17 NOV 23 52.5 CALL	251	\$8.38	30	0.82	21.75%	\$205,820	\$8.08	376	▼ 3.64%	▲ 33.81%
05-30-2023	KO	KO 100 19 JAN 24 65 CALL	4,026	\$1.18	5,415	0.29	14.9%	\$499,224	\$0.6	17,115	▼ 49.58%	▲ 81.28%
05-25-2023	KO	KO 100 17 JAN 25 67.5 PUT	1,001	\$8.35	332	-0.66	16.94%	\$875,875	\$8.18	2,009	▲ 2.1%	▲ 50.71%
05-24-2023	KO	KO 100 17 JAN 25 50 PUT	1,044	\$1.85	921	-0.17	22.43%	\$200,448	\$1.51	4,694	▼ 18.38%	▲ 138.88%
05-19-2023	KO	KO 100 17 NOV 23 57.5 PUT	1,005	\$1.07	583	-0.21	18.92%	\$110,550	\$0.86	2,448	▼ 19.63%	▲ 54.16%

**Potential Catalysts:** Barclays Consumer Staples Conference 9-7; Earnings in October; Tax Litigation News

## **Disclaimer:**

### **Not Investment Advice or Recommendation**

*Any descriptions "to buy", "to sell", "long", "short" or any other trade related terminology should not be seen as a recommendation. The Author may or may not take positions in any of the names mentioned, and is not obligated to disclose positions, nor position sizes.*

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