



Omnicom Bulls Adjusts Large Position

Ticker/Price: OMC (\$75.25)

Analysis:

Omnicom (OMC) with buyers of 1,350 January \$75 calls up to \$5.80 to open today, adjusting some April calls, and follows buyers of the February \$77.50 calls on 1-15. OMC does have the April \$75/\$67.50 put spread in OI 2,000X4,000. Shares are back at trend support from the 2018 lows as well as VPOC from a big range stretching back to 2017. The \$16.54B advertising leader trades 12.16X earnings, 1.11X sales, and 16X FCF with a 3.5% yield. OMC has been a tough name for a couple years now but forecasting an accelerating in EPS and revenue growth into FY21 and FY22 for the first time in over five years as a big strategy shift starts to bear fruit. OMC has been divesting underperforming and non-core assets for two years now while investing in areas like digital, data analytics, and precision marketing. The shift is giving them an edge in contract talks as well. In 2019, the company notched a number of key wins including accounts with the US Army and Ford Motor while also winning the studio/entertainment business from Disney away from peer Publicis. The CFO said last year the company is pursuing more deals and will be disciplined as they look at areas to grow those new and emerging areas especially within audience-centric services and digital. They bought Credera in 2018 that helped them grow out their CRM offerings and management consulting which has become a strong spot. Analysts have an average target for shares of \$82.50. Wells Fargo with a Hold rating and \$81 PT, positive on their organic growth prospects through expanded service offerings and new business wins and their investments in high-growth areas but limited valuation upside. BMO with an \$88 PT seeing the company in a period of margin expansion after the portfolio shift. Short interest is 12% and relatively flat since 2017. Hedge fund ownership rose 1.75% in Q3. Coho Partners a notable holder with a 4% weighting.

Hawk Vision:



Hawk's Perspective: OMC has some value/yield attractiveness and could be an interesting turnaround story over the next few years, tough to buy into this move and prefer to see basing and short-term moving averages turn upwards.

Confidence Ranking: \$\$