



Large Put Sales See Value in Coca Cola Weakness

Ticker/Price: KO (\$44.95)

Analysis:

Coca Cola (KO) shares hit hard recently on earnings but seeing 25,000 June \$42 puts sold to open today for \$0.74 and follows more than 28,000 April \$44 puts sold to open last week seeing value at current levels. KO had 15,000 August \$48 calls bought yesterday for \$1.425M as week as nearly 3,000 March \$45 calls and 1,000 deep ITM January 2021 \$38 calls. KO has sizable short puts in the March \$47 strike, over 20,000X, from 2-7. Shares slipped under the 233-MA this week and back near support from September/October at \$44.50 as well as the 55-week MA which has been supportive in the past. KO is in a steady uptrend from 2015 with a long-term target up over \$51. The \$192B company trades 19.7X earnings, 5.95X sales, and 10.2X cash with a 3.5% yield. KO expects 2019 EPS to be flat, disappointing to the Street, while FY20 is seeing 8.4% growth and the company taking revenue estimates higher to 9.3% and 3.8% respectively. KO saw 5% revenue growth for the quarter and showing power with pricing as volumes were up around 1%. They continue to gain share across most categories with 2% growth in soft drinks driven by double-digit growth in low-sugar products and sports/water up 3% which are growing secular trends. KO made a \$5B deal for Costa Coffee in September which gives them over 4,000 locations including leading scale in the UK and emerging growth in China in a category where they expect to invest in 2019 and gain share from Dunkin and Starbucks. Analysts have an average target for shares of \$52 with 9 buy ratings and 12 hold ratings. Citi downgraded shares to Neutral seeing strong underlying growth but diluted near-term from refranchising and FX headwinds. Guggenheim positive in January long-term seeing opportunity across new categories as KO continues to aggressively innovate and 'fill white spaces.' Institutional ownership fell 14.4%. Berkshire remains a top holder with 400M shares. Short interest is 0.6%.

Hawk Vision:



Trading Strategy: KO has been hit hard and offers value in shares for a long-term investor looking for yield, while for swinging calls need to first see some better basing and the 8 MA turning upwards.

Confidence Ranking: \$\$