



Large Bearish Position Sees More Downside for Philip Morris

Ticker/Price: PM (\$70.20)

Analysis:

Phillip Morris (PM) with 2,200 June \$77.5 puts being bought to open \$9.80 to \$9.90, a name that has seen plenty of bearish positioning including in Jan. 2020 and Jan. 2021. PM broke a long term uptrend in March 2018 and recently slid under a base support at \$77.50, now forming a small bear flag on a weak rebound and really has room to fall back towards \$50 on the longer term chart. The \$108B cigarette and tobacco Co. trades 13.2X Earnings, 3.55X Sales and 70X FCF with a 6.55% dividend yield. PM sees minimal growth for 2019 as cigarette trends have remained weak and has relied on pricing for years to counter volume trends. Analysts have an average target of \$89 and short interest at 0.5% of the float is surprisingly low back near a three year low. PM will report on 2-7 and speak at CAG Conference on 2-20. A Director sold \$5M in stock in December. Stifel was out this morning calling valuation exceptionally cheap and sees improving 2019 volume trends with less regulatory threats. Piper sees 60% upside to shares with incremental earnings from iQOS attractive and Russia is an underappreciated opportunity. CSFB downgraded shares in December after a survey of next-generation products came in weak and sees tobacco expectations as overly optimistic, a \$74 target. Hedge Fund ownership fell 8% last quarter.

Hawk Vision:



Trading Strategy: PM remains a fundamental sell in my view, and watching for this small uptrend to crack on a move under \$67.5 to trigger.

Confidence Ranking: \$\$\$