



FEATURED OPTIONS RADAR REPORT



Bullish Call Buyer in Lawn Products Name Headed into Spring

Ticker/Price: SMG (\$82.10)

Analysis:

Scott's Miracle-Gro (SMG) on 2/16 saw a buyer of 1100 March \$85 calls for \$4.40 offers aggressively and over \$500K total call premium bought for the name that does not see large trades often. SMG has also recent March \$55 ITM calls from December buyers still in open interest and the July \$40 calls bought last Sept still holding. Shares have been rallying nicely since the start of the year up from 50 and now above 80 while the weekly chart still shows space up to the 100 level. Support is seen below at 76 and then 70 being the YDT VWAP. Short term resistance is at 96.50 in the form of a VPOC untested from last year. The \$4.6B company trades at 22.7x earnings, 2.1x sales, FCF yield of 6.8%, and a dividend yield at 3.1% while revenue is expected to grow +1% in FY23 with +3% growth estimated in FY24. The Scotts Miracle-Gro Company is a marketer of branded consumer products for lawn and garden care. Average analyst target is \$80. Wells Fargo upgraded last week to Overweight and a price target at \$100, up from \$75 and citing its fireside chat with CFO Garth/Hawthorne's Hagedorn. Visibility on 2023 seems good, the firm notes. It's the thereafter which step-changed for Wells though, with margin commentary improving its confidence on EPS power. Barclays also raising to \$105 target today from \$90 and keeps an Overweight rating. Raymond James earlier this month upgraded to Strong Buy and boosted its target to \$92 from \$56 while Truist also raised its target to \$70 from \$50 and noted SMG reported better than our/consensus estimates results on both net sales and adjusted EPS. The company also slightly trimmed its adjusted EBITDA guidance to reflect worse than expected sales at Hawthorne. However, the lawn & garden season softness in 2022 appears to be more weather-driven and the improved outlook should also allow Scotts Miracle-Gro to stay within its debt covenants for the foreseeable future. Short interest is at 8.6%. Hedge fund ownership fell 18% last quarter.

Hawk Vision:



Hawk's Perspective: SMG is a volatile name but a strong trend from the start of year, can likely buy a dip to the 21 EMA near 76 if sees a pullback into month end as 96 target above looks likely.

Confidence Ranking: \$\$