



FEATURED OPTIONS RADAR REPORT



Bullish Trade in Scotts Miracle-Gro into Seasonally Strong Window

Ticker/Price: SMG (\$215.5)

Analysis:

Scotts Miracle-Gro (SMG) with 1250 June \$220/\$200 bull risk reversals opening for \$3.81 debit on 5/27 and becomes the most notable open interest in the name, though on 3/16 the November \$200 puts opened 500X at \$15.50 and remain in OI. SMG is entering a seasonally strong window with shares up 8% on average in July the last five years. SMG has put in a low just above its rising 144-day moving average in October, March and May and currently shares basing in a narrow range while the longer-term trend remains strongly bullish. SMG shares can ultimately target a move to \$300 on a breakout above \$250. SMG is the leading manufacturer and marketer of branded consumer lawn and garden products in North America with brands like Scotts, Miracle-Gro, Ortho, Home Defense, and Tomcat while also marketing/distributing Roundup for Bayer AG / Monsanto. SMG's Hawthorne segment is the leading manufacturer, marketer and distributor of lighting, nutrients, growing media, growing environments and hardware products for indoor and hydroponic gardening. SMG currently has a \$12B market cap and trades 22.85X Earnings, 2.43X Sales and 16.5X EBITDA with revenues seen rising 15% in 2021 and growth slowing to 2% in 2022. SMG has consistently been beating and raising estimates. SMG will present at the Blair Growth Stock Conference on 6-2 as a potential near-term catalyst. SMG was very optimistic on its earnings call in early May though noted the one uncontrollable concern being the inflation in commodities which will result in downward pressure to margins. SMG sees the Hawthorne unit continuing to grow rapidly as more markets open with cannabis legislation. SMG also noted a healthy M&A pipeline and a lot of financial flexibility. Analysts have an average target of \$290 with short interest low at 2.6% of the float. Truist raised its target to \$300 on 5/6. Hedge Fund ownership plunged 20% in Q1 filings.

Hawk Vision:



Hawk's Perspective: SMG with a nice reward/risk here versus the reversal low near \$212.50, though below that likely visits the 200-MA at \$199 so could be traded in either direction, but a high quality company and facing some cost pressures but if transient as the Fed expects, the business remains very strong and shares are attractively valued.

Confidence Ranking: \$\$