

Omnicom Puts Accumulate as Secular Headwinds Remain a Challenge

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Omnicom (OMC) shares have traded strong recently with the overall market back near its recent peak and forming a lower high. MACD has crossed back just above zero and curling over, nearing a bearish crossover, while RSI has rolled back over and under 50. OMC has the 50-day MA at \$74 and below room back to the 200-day around \$72.50. Shares have traded in a well-defined range since late 2017 with support near \$65. OMC has seen a lot of bearish flow accumulate lately with the April \$72.50 puts bought 1,750X on 1/14, the February \$75 puts bought 5,000X on 12/31, and some sizable January puts which may adjust out with OpEx. The full snapshot is below.

Date	Description	Volume	Open.Int	Price	%Change	Delta	Impl Vol	Prob.ITV	Premium Paid
1/14/2019	OMC 100 18 APR 19 72.5 PUT	1,759	119	\$2.55	-42.05%	-0.35	25.27%	39.85%	\$457,340
12/31/2018	OMC 100 15 FEB 19 75 PUT	5,000	0	\$4.30	N/A	-0.62	25.71%	65.76%	\$2,150,000
11/12/2018	OMC 100 18 JAN 19 75 PUT	2,004	4,904	\$3.30	19.13%	-0.45	25.26%	49.33%	\$661,320
11/6/2018	OMC 100 18 JAN 19 77.5 PUT	1,307	321	\$4.70	-21.67%	-0.58	24.38%	62.55%	\$614,290
11/6/2018	OMC 100 18 JAN 19 77.5 CALL	1,001	283	\$2.20	8.91%	0.42	23.69%	38.35%	\$255,255
10/26/2018	OMC 100 18 JAN 19 67.5 PUT	3,531	1,280	\$2.56	38.38%	-0.35	27.33%	40.67%	\$935,715
10/23/2018	OMC 100 18 JAN 19 75 PUT	2,001	2,914	\$3.30	40.43%	-0.45	23.40%	49.88%	\$700,350
10/19/2018	OMC 100 18 JAN 19 75 PUT	2,870	129	\$2.15	-21.82%	-0.36	21.06%	40.44%	\$660,100
10/18/2018	OMC 100 18 JAN 19 85 PUT	5,000	12	\$9.60	-44.51%	-86.00%	19.47%	88.28%	\$4,800,000

The \$16.5B company trades 12.89X earnings, 1.08X sales, and 13.38X FCF with a 3.23% yield. OMC expects 1.5% EPS growth in 2019 and 0.9% revenue growth, both down sharply from 2018. OMC faces secular challenges from a shift in ad-buying from traditional to digital and larger tech peers entering the space like Google, Amazon and Facebook. They are also facing competition in consulting from Accenture and IBM which have been building out operations through M&A. OMC is undergoing a transformative period as it cuts jobs and slims down to better compete but expecting a prolonged period of change to keep momentum slow.

Analysts have an average target for shares of \$75 with 1 buy rating, 7 hold ratings, and 4 sell ratings. Barclays cut shares to Underperform in September and Argus downgraded to Neutral expecting NA business to be flat and organic growth to be choppy over the next 1-2 years. Institutional ownership fell 1.5% last quarter. Point72 a large buyer of put options.



Short interest is near 10-year highs at 11.9%, down slightly from its peak in early December.

Trade to Consider: Long the **OMC** February \$75 Puts for \$2.35