



FEATURED OPTIONS RADAR REPORT



Bulls Pile into Top Animal Health Play Ahead of Product Launches, Expansion in 2022

Ticker/Price: ZTS (\$214.50)

Zoetis (ZTS) higher by 2.5% today following earnings and 1,500 April \$220 calls bought up to \$11.60 to open and now volumes running over 3,400 on the day, a best-in-class name that rarely sees large option buys. ZTS is near new highs and starting to work out of a wide multi-month range above \$210.50 that measures out to \$230. A continuation of the long-term trend has Fibonacci extension targets above at \$235 and then \$245. The \$98.5B company trades 41.3X earnings, 13.25X sales, and 77X FCF with a small yield and low-double digit growth. ZTS is coming off a strong quarter and raising guidance citing strong trends in petcare which they expect to continue well into 2022 even with some generics on the horizon for drugs like Simparica Trio. ZTS has launched a number of new products in 2021 they expect to outperform in 2022 in areas like diagnostics and dermatology, the latter emerging as a significant contributor to growth, while International markets like China and Brazil remain largely untapped. ZTS expects to push forward investments in digital next year which will help long-term margins and customer acquisition. Analysts have an average target for shares of \$203 with a Street High \$238. CSFB raising estimates in August citing significant success in their DTC effort which should support growth across its innovative new product launches going forward, enhancing not only its market positioning, but also driving market expansion more broadly with incremental awareness. Argus positive on 8/25 seeing ZTS as a leader in the animal health space which should continue to grow a steady mid-single digit rate. Short interest is less than 1%. Hedge fund ownership fell 6% last quarter.

Hawk Vision:



Hawk's Perspective: ZTS has long been a favorite name in a solid industry that should continue to see secular tailwinds around companion animal spending and a pullback to the \$205 level would be a nice opportunity to position for new highs

Confidence Ranking: \$\$