



## Tyson Size Call Buyer as Shares Hit Multi-Month Highs

**Ticker/Price:** TSN (\$66.65)

### Analysis:

**Tyson Foods (TSN)** buyers yesterday of 10,000 May \$67.50 calls and spot where another 1,870 are trading today up to \$2.55, by far the largest position in OI. TSN has seen smaller buys in the April \$62.50 calls and some January \$72.50 calls remain in OI from September. TSN has rebounded well from the December lows and clearing a big volume node from August/September above \$62.50. Shares are working out of a downtrend from the 2018 highs near \$85 and long-term bull flag forming on the monthly. The \$23.57B company trades 10.35X earnings, 0.59X sales, and 23X FCF with a 2.3% yield. TSN sees 5.9% EPS growth in 2020 and 14% in 2021 with revenue growth of 3.5% to 4%. TSN closed on their \$2B deal for Keystone Foods late last year which expands their offerings to foodservice as well as c-store channels. The company is seeing better margins for prepared foods, a group which is growing double-digits, while Jimmy Dean remains a strong brand in both volumes/price mix. TSN will be a major beneficiary of any trade deal with beef and pork exports at 10-20% of production. TSN's CEO has made transforming the portfolio a key focus over the next two years between acquisitions and divestitures. In February, it was reported that they were looking at a deal for Foster Farms at a \$2B valuation. He's also looking at international expansion as a key driver to help reduce exposure to the US ag-market. Analysts have an average target for shares of \$70.50 with 9 buy ratings, 6 hold ratings, and 1 sell. Short interest is 1.3% and near multi-year lows. Jefferies positive on 2/13 noting shares deserve a premium to peers given their diversified offerings. Vertical upgraded to Buy on 1/10. Institutional ownership rose 16% last quarter. In December, a Director bought \$400K in stock at \$58, the largest buy in several years.

### Hawk Vision:



**Trading Strategy:** TSN is quite extended here to target but a notable open interest position to be aware of if shares pull back in to \$63 level.

**Confidence Ranking:** \$\$