



Berry Global Bullish Trades All Week into Weakness

Ticker/Price: BERY (\$48.45)

Analysis:

Berry Global (BERY) with more bullish flow today as 1,000 December \$50 calls are bought for \$3.40, same spot where 500 were bought earlier this week. BERY has 1,500 June \$47.50/\$52.50 call spreads bought on 5/14 and still with 2,000 December \$50 short puts from 5/2 in OI. Shares have been weak since earnings down off of 52-week highs around \$59 and back to a big volume node and 1-year VPOC at \$48.40. BERY has been consolidating a big move higher on the long-term chart with support around \$45. The \$6.4B company trades 12.15X earnings, 0.80X sales, and 8.77X FCF with double-digit EPS growth and revenue estimates of 2-3% growth. BERY recently struck a \$4.37B deal for UK-based RPC, topping Apollo who made a rival bid. The deal expands their scale in Europe where they will become a leader in plastic packaging with notable tailwinds from e-commerce growth. The two companies have a lot of overlap which will drive significant synergies. BERY sees the deal as accretive to cash flow and earnings in year-one. Analysts have an average target for shares of \$62.50 with 4 buy ratings and 2 hold. Citi defending on 5/2 noting the recent earnings miss was driven almost entirely by the Berry's Engineered Materials segment, which the company expects to recover in the second half of the fiscal year. BMO raising their PT to \$69 in March noting that a deal for RPC is a "big step" in making Berry Global more global and the accretion figures are compelling long-term. Short interest is 2.1%. Institutional ownership rose 7.5%. Eminence Capital adding 6.44M shares and now a 11M share position for them. Sachem Head with a new 3.745M share position, their second largest. Viking Global with 7.7M shares and adding another 2M in the quarter.

Hawk Vision:



Trading Strategy: BERY likely has long-term value at these levels but the price action is so ugly need to wait for an improvement in my view.

Confidence Ranking: \$\$