



## Tyson Spreads Position with Several Drivers for Upside

**Ticker/Price:** TSN (\$90.60)

### Analysis:

**Tyson Foods (TSN)** bullish spreads today are buying the October \$95 calls for \$1.95 and selling the September \$86.50 puts to open for \$1.27. Buyers initially came in for 1,000X and now volumes over 3500X on the day while the October \$97.50 calls also active 2000X. TSN has seen buyers in the September \$90 calls and October \$92.50/\$77.50 bull risk reversals lately. Shares have been strong trading up to new highs recently despite overall market weakness and trending above the rising 8- and 13-EMA. The recent breakout are around \$85, now support, also aligns with the 50-day MA and cloud support. Shares have a measured move up to \$95 on the recent move but longer-term measures out to \$105+. The \$33.4B company trades 12.97X earnings, 0.81X sales, and 42.8X cash with a 1.67% yield. TSN is expecting 16.5% and 17.2% EPS growth the next two years, big jumps from the near flat growth in FY19. Revenues are guided to 5.5% growth. TSN expects chicken sales to improve into year-end despite tariff headwinds and remains optimistic on Japan and EU trade agreements while China remains a question. In June, the company unveiled a plant-based protein under their “Raised and Rooted” brand which is expected to ramp into 2020. They expect to gain share within the multi-billion dollar market as soon as YE. Analysts have an average target for shares of \$82 with 9 buy ratings, 2 hold, and 1 sell. Mizuho raising their PT to \$95 on 8-6 seeing all operating segments matching or beating fiscal 2019 results, including prepared food. Barclays with a \$100 PT noting that diversified animal based protein companies seemingly are set to benefit most from the worsening African Swine Fever situation in China and other countries in Southeast Asia. TSN may see little benefit near-term but incrementally more benefits longer-term. Short interest is 1.3% and near 10-year lows. Hedge Fund ownership fell 9.5% in Q2. Aristotle Capital, Boston Partners, and Eminence Capital notable holders. In December, a director bought \$400K in stock at \$58.

### Hawk Vision:



**Hawk's Perspective:** TSN is too extended here to initiate a position but like it on a pullback to that \$85/\$86 level and think its alternative meat business can drive it a bit with more exposure.

**Confidence Ranking:** \$\$