



## Sanderson Bulls See Upside on Meat Outlook

**Ticker/Price:** SAFM (\$156)

### Analysis:

**Sanderson Farms (SAFM)** shares setting up well and showing relative strength with bullish open interest in the October and November calls bought over the last two weeks. On 9-13, the October \$155 calls were bought over 1275X around \$3.50 and the November \$155 calls bought on 9-18 around \$9 over 1000X. Shares are flagging under \$157.25 and the May highs and above the rising 8-EMA. A move higher targets \$180. MACD crossed over bullish on the weekly recently. The \$3.46B company trades 15.17X earnings, 1.04X sales, and 46.5X cash with a 0.82% yield. They expect to earn over \$10.50/share in FY20 with revenue growth of 7.5%. SAFM is coming off a strong quarter with demand for boneless chicken breasts outperforming its normal seasonal weakness and pricing on poultry for grocery was slightly better than expected. SAFM is going into peak demand season, post-Labor Day, and potential strength in the 2H of the year and early 2020 with the global impact from African Swine Flu. Analysts have an average target for shares of \$125. Buckingham with a \$138 PT and Neutral rating for shares. They think SAFM will continue to benefit from low grain prices and favorable meat protein S&D but is cautious on timing for ASF benefits to US protein supplies. Short interest is 7.7% and at the lowest level since 2014. Hedge Fund ownership fell 11.5% in Q2. Highline Capital a notable holder. SAFM has an investor day on 10-17.

### Hawk Vision:



**Hawk's Perspective:** SAFM continues to look like a strong play on this Swine Flu, a trend following name.

**Confidence Ranking:** \$\$