



## US Foods Bulls See More Upside

**Ticker/Price:** USFD (\$41.40)

### Analysis:

**US Foods (USFD)** trading over 115X average calls in the first hour with 5,000 October \$45 calls bought up to \$1.05 to open and also 1,650 April \$45 calls bought up to \$2.15 on a wide spread. Today's action follows 2,000 Sept. \$40 calls bought last week. Shares have been very strong since earnings in early August and breaking out of a big multi-month range above \$41. USFD has a long-term measured move to \$51/\$52 while weekly MACD and RSI both in the early signs of a run higher. The \$8.94B company trades 16.5X earnings, 0.36X sales, and 19.2X FCF with estimates for double-digit EPS growth the next two years. USFD sees 6% revenue growth in FY20. They're seeing better case growth from restaurant demand while hospitality remains an emerging leader in their mix. USFD's has invested in e-commerce as well which is driving higher penetration rates as well as better retention and larger basket sizes. The company reached a deal to buy SGA Foods in March for \$1.8B which helps expand their scale in a fragmented market. Analysts have an average target for shares of \$38 but Wells Fargo out on 8-16 seeing a 'credible path' to \$60/share within two years. Buckingham upgrading to Buy earlier this Summer with a \$48 PT as the food away from home trends will continue and the industry fragmentation favors large, well-capitalized operators. Further they see better execution driving continued case volume strength with higher margin Independent as well as drive sequential accelerating in HC/Hospitality and Other segments. Short interest is 1.2%. Hedge Fund ownership fell 4.2% in Q2. Eminence Capital a top holder with 6.77M shares and adding last quarter. Sachem Head also with 4.5M shares.

### Hawk Vision:



**Hawk's Perspective:** USFD is far too extended for me at this level but has been a quietly strong performer, worth a look closer to \$39.

**Confidence Ranking:** \$\$