



## Unusual Calls Bought in Simply Good Foods

Ticker/Price: SMPL (\$25.50)

### Analysis:

**Simply Foods (SMPL)** one of the more unusual call flow names on 10/17 with 1800 November \$25 calls opening \$1.30 to \$1.50 and IV jumping in afternoon trade. SMPL shares have made a big run since early 2018 and recently pulled back to a 38.2% Fibonacci and just above its rising 200 MA and trend support looking to regain momentum. The \$2.4B maker of snack and nutritional products trades 33.75X Earnings, 31.6X FCF and 4.9X Sales. SMPL expects to close 2019 with nearly 20% revenue growth after 8.9% last year and sees 7.2% growth for 2020. The company was out on 10-7 giving positive guidance for FY19 and in August announced a \$1B deal to acquire Quest Nutrition. SMPL products align with consumer megatrends such as Snacking, Meal-Replacement, Convenience, and Health & Wellness. The Quest acquisition diversifies its customer and channel mix. Analysts have an average target of \$30 and short interest is low at 1.3% of the float. SMPL did a 13.4M share offering in October at \$26.35/share. Wells Fargo started coverage in September at Outperform with a \$35 target seeing it poised to benefit from US dietary and wellness tailwinds via its low-carb/low-sugar snacking portfolio. DA Davidson raised its target to \$33 in August after the Quest deal seeing SMPL as a nutritional snacking consolidator and sees superior revenue growth and margin expansion ahead for the company. Bernstein out in August at Outperform with a \$31 target calling it a high-quality compounder. Hedge Fund ownership rose 4.6% in Q2 filings.

### Hawk Vision:



**Hawk's Perspective:** SMPL looks like a nice set-up here versus the 200 day MA, not a lot of compounders in this space and like its area in consumer goods, seems to be a long-term own.

**Confidence Ranking:** \$\$