



Large Put Buy into National Beverage Recovery

Ticker/Price: FIZZ (\$57)

Analysis:

National Beverages (FIZZ) with 4,400 July \$60 ITM puts bought today from \$10.00 to \$10.90 and still has bearish open interest in the April \$55 and \$45 strikes. Shares gapped higher on earnings last week and just below gap resistance from March at \$60 while also running into the 23.6% retracement level of the fall from the 2018 highs. The \$2.29B company trades 23.5X earnings, 2.3X sales, and 19.33X FCF. The company sees both top and bottom line deceleration continuing in 2020 while margins continue to contract. FIZZ is coming off a strong quarter with their first new flavor in two years, Hibiscus, driving a near-term inflection in sales. La Croix remains in decline overall as competition in the sparkling water space grows with Bubly, Waterloo, Perrier and others taking shelf space. Their biggest threat to shelf space is coming in March when Coca Cola (KO) rolls out AHA that will be marketed as a healthy, natural alternative at a time when FIZZ faces lingering questions about artificial ingredients. Analysts have an average target for shares of \$47 with 1 buy rating, 3 holds, and 2 sells. Guggenheim thinks KO's Aha brand will take immediate shelf space while a resurgence in LaCroix likely doesn't occur until the 2H. Jefferies on 11-11 with a \$30 PT noting that KO is one of the biggest competitors to enter the market from the POV of being able to outspend on marketing to win share. The firm also thinks FIZZ needs to make much more bold moves to regroup the brand. Short interest is 16.8%, up from around 9.5% this Summer and surging from around 4% at the start of the year. Hedge fund ownership rose 11% in Q3. Melvin Capital a buyer of put options and now a position equivalent of 950,000 shares.

Hawk Vision:



Hawk's Perspective: FIZZ very much looks like a rally to short into, though it is extending further than I expected, I see major competitive issues causing slowing growth and weakening margins.

Confidence Ranking: \$\$