



B&G Foods Rally Seen Short-Lived

Ticker/Price: BGS (\$17.55)

Analysis:

B&G Foods (BGS) with a buyer of 3,500 January \$15 puts this morning for \$3.20 with another 750 adding later in a spot where 4000 were bought on 3-2. BGS still has size May \$15 and \$12.50 puts in OI as well from February. Shares have rebounded from recent lows and back at the declining 200-MA and resistance from December. A move under the 8- and 20-MA at \$16.50/\$16.25 sets up for a return to February/March value-area low around \$14.50. BGS is likely to see a near-term sales rush from pantry-loading due to COVID-19, but company with longer-term problems that aren't resolvable in a temporary 1-2 quarter surge. The \$1.08B packaged foods company trades 10.1X earnings and 0.65X sales. BGS has seen stressed cash flows and trades at 95X cash with a debt-heavy balance sheet as they've pursued an M&A/roll up strategy recently (currently at 5.9X), so potential for their 11.27% yield to be at risk. They're guiding to 0-1% sales growth in 2020 and 1-3% EBITDA growth, but both declining in the last three years and facing a lot more competition in the frozen space from names like General Mills (GIS), Lamb Weston (LW), and others. BGS is coming off a weak quarter with private label spices under pressure as they lose space to McCormick (MKC) and taking some modest inventory write-downs. Analysts have an average target for shares of \$17.25. BMO lowering their PT to \$16 on 2-27 noting that they continue to face challenges to generate organic sales growth and BGS has a long-time inconsistency in delivering against expectations. CSFB with a \$14 PT noting that some of the inventory loading in Q1 with new Green Giant products, while much hyped, likely only comprises about 3.5% of overall sales based on SKU analysis. Meanwhile, they suspect ConAgra (CAG) has been winning distribution share in many of their key categories. Short interest is 33.7% of the float but down from around 40% in early 2020. Hedge fund ownership fell 9% in Q4. BGS saw insiders active on 3-17 when a director bought \$231K in stock at \$11.86.

Hawk Vision:



Hawk's Perspective: BGS is an attractive short into this bounce, but need price confirmation with a move under \$16 a trigger level.

Confidence Ranking: \$\$