



## Large Put Buyer in Sysco into Rebound

Ticker/Price: SYY (\$47)

### Analysis:

**Sysco (SYY)** with buyers of more than 5,650 May \$40 puts this morning up to \$2.70 to open and follows buyers recently of more than 2800 August \$40 puts as well. SYY does have 1000 May \$50 calls in OI and had some short puts open in late March but most have closed and are no longer in OI. Shares were showing relative weakness before COVID-19 having peaked in December and have rebounded to the 38.2% Fibonacci of the move lower at \$50. SYY is also struggling to move past the VWAP from 2/3 earnings move lower. A move under \$42.50 has pressure back to \$30. The \$25.29B company trades 14X earnings, 0.42X sales, and 48X cash with a 3.6% yield. They have a levered balance sheet with Net Debt/EBITDA at 2.6X and a Current Ratio of 1.2X, largely due to a string of M&A deals over the last decade. SYY has clear headwinds in the current environment with their ties to foodservice, especially restaurants, which likely remain shuttered for another four-to-six weeks. They recently pulled their 3-year growth plan as it relied heavily on acquisitions (nine alone in the last two years), customer-facing investments and technology, and expansion Internationally where they've underperformed. SYY likely continues to see pressure on guidance and earnings as the recovery and re-opening of the global economy expected to be more gradual than many expect, especially in social settings. Analysts have an average target for shares of \$73. Jefferies positive on 3-26 longer-term seeing shares gains as COVID-19 is contained and lives return to normal. They note new CEO has articulated a strong desire to aggressively seek out new opportunities. Argus downgrading to Hold on 3-21 citing headwinds from restaurant closures, integrating recent deals in Europe, and Brexit. Short interest is 2%. Hedge fund ownership fell 4% in Q4. Eminence Capital selling their entire 1.3M share position while Trian Fund remains a top holder with 23.6M shares.

### Hawk Vision:



**Hawk's Perspective:** SYY looks to be set for an extended period of weakness, and a move below the trend off lows and 21 MA at \$42 would likely start a new leg lower.

**Confidence Ranking:** \$\$