



## FEATURED OPTIONS RADAR REPORT



### ARAMARK Put Sales Confident in Limited Downside

**Ticker/Price:** ARMK (\$27.80)

#### Analysis:

**Aramark (ARMK)** in the past week has seen 10,000 each of the November \$26 and \$27 puts sold to open for more than \$4M with shares trading just above that level, confident shares are undervalued and willing to buy a lot of stock. ARMK also has 7500 October \$27 short puts in open interest from a 9/11 trade. On the chart ARMK shares have recovered off the March lows and currently with a nice weekly flag forming above key 8/21 week EMA crossover, and above \$31.65 resistance has room back to \$40. The \$6.9B provider of food, facilities, and uniform services to education, business, sports, leisure and other industries has seen shares recover from the major COVID impact but remains down 35% YTD. ARMK trades 16.5X EV/EBIDTA, 0.5X Sales and 53X FCF with a 1.58% dividend yield. ARMK revenues dropped 20% this year but seen recovering 2H21 with 7.3% growth next year and 16% growth in 2022. ARMK operates in a massive market that is extremely fragmented with large players account for just 10% and could benefit from small business closures leading to market share gains. ARMK's markets include the \$325B Food market, \$550B Facilities market, and \$25B Uniforms market. It sees opportunities emerging out of COVID from an increased demand for safety/hygiene and is financially flexible with \$2.5B in cash and no significant maturities until 2023. Activist Mantle Ridge took a 20% stake in the company last year and helped re-install 18-year veteran CEO John Zillmer at the helm. ARMK commented at the Citi conference last month on Mantle Ridge and it was interesting to note the incentive program with a 5-year timeframe and exercise prices up to \$85. Analysts have an average target of \$30 and short interest is 5.4% of the float, next earnings date expected mid-November. OpCo raised its target to \$35 on 9/25 sating revenues have stabilized. Goldman upgraded to Buy with a \$36 target on 9/8 positive on the opportunity to increase sales and how it managed the sharp downturn. Hedge Fund ownership rose 7.5% in Q2 filings, Atlanta Capital a notable concentrated top holder.

#### Hawk Vision:



**Hawk's Perspective:** ARMK is a quality company caught up in a tough business during a pandemic, but over the next five years have to really like the value proposition here for a long term own.

**Confidence Ranking:** \$\$