



## FEATURED OPTIONS RADAR REPORT



### Constellation Brands Risk Reversal Sees Positive Reward/Risk

Ticker/Price: STZ (\$179.50)

#### Analysis:

**Constellation Brands (STZ)** on Friday with 1750 January \$185/\$155 bull risk reversals opening at a \$4.30 debit, a name lacking much notable open interest outside of 800 January 2022 \$170 short puts that opened in December 2019. STZ shares have recently pulled back to near its rising 200-day moving average and a 50% retrace of the May to September range. STZ also sits just above key weekly trend support and weekly RSI is near the key 50 level. The \$34.4B beer & wine leader trades 17.9X Earnings, 4.25X Sales and 25.4X FCF with a 1.67% dividend yield. STZ forecasts see revenue grow tepid at -2% in 2021 and +1.2% in 2022 while maintaining positive EPS growth. STZ has been hurt by weakness from bar/restaurant channels while at-home seeing solid trends and its Corona hard seltzer launch has been strong. Analysts have an average target near \$210 and short interest low at 3.5% of the float. Argus positive 10/5 with a \$230 target noting it will emerge from the pandemic in a position of strength and beer shipments are improving. RBC raised its target to \$243 saying to buy shares now ahead of a key volume inflection period. MSCO has a \$203 target awaiting better visibility but noted pricing/depletion upside, higher beer margins and better wine & spirits performance in the most recent quarter. Hedge Fund ownership fell 5% in Q2 filings, Kensico Capital adding to its largest position.

#### Hawk Vision:



**Hawk's Perspective:** STZ back to the 200 MA is setting up as a top quality name with a nice entry point and risk reversal strategies, if comfortable, a good way to participate.

**Confidence Ranking:** \$\$