



FEATURED OPTIONS RADAR REPORT



US Food Risk Reversals See Opportunity

Ticker/Price: USFD (\$21.75)

Analysis:

US Foods (USFD) with 3800 January \$25/\$20 bull risk reversals opening at \$0.10 credit, popular strategy in the name that traded 4500 January \$30/\$20 bull risk reversals on 10/26 and has over 8000 of the \$30 calls in open interest while November \$25 near-term calls with 4900X with earnings due out 11-2. USFD shares working on a hammer today after retesting a key volume node on weakness this week, back under the 200 MA and a name that has struggled with business shutdowns. A move above \$25 opens up a nice volume pocket for a run to \$31. The \$4.9B food distribution company trades 9.2X FY21 EBITDA, 15.55X Earnings and 5.7X FCF with a lot of cash. Forecasts see revenue growth of 14.5% in 2021 and EPS growth of 240% after a big drop in 2020. USFD has been working on cost reduction initiatives and seen some improving trends as consumers look to eat out again, though a recent 3rd wave of COVID a headwind once again. USFD operates in a fragmented industry and if trends improve it can be a winner as it takes market share. Analysts have an average target of \$28.50 and short interest down 34% Q/Q to just 2% of the float. JPM raised its target to \$30 on 10/20 citing better data from restaurants and the importance of trends continuing to show improvement. Jefferies started shares Buy recently seeing it past the worst and an opportunity for 2022 and beyond. Hedge Fund ownership fell 19.5% in Q2 filings, notable top holders include some activists with Sachem Head, Eminence and Longview.

Hawk Vision:



Hawk's Perspective: USFD is intriguing long-term and been looking at the industry in general recently, but the recent surge in COVID is not helping near-term headwinds, so a strategy such as these willing to own stock lower is the most intelligent way to play it.

Confidence Ranking: \$