



Anheuser Busch Draws Large Call Purchase

Ticker/Price: BUD (\$83.40)

Analysis:

AB InBev (BUD) with 2,000 ITM June \$75 calls bought for \$10.45 to \$10.50 today and follows put sellers in the March \$80 and \$75 strike in October/November. BUD has also seen buyers in the March \$80 and \$85 calls, the latter with 2,000 in OI from late October. Shares have been consolidating in a multi-month range below \$84.50 and a gap from October that measures back to \$90+. Longer-term, BUD shares have struggled since topping out in 2016 around \$130 but working on a higher low vs the 2018 bottom and basing around the 61.8% Fibonacci of the six-year rally from 2010. The \$135B mega-brewer trades 18.3X earnings and 2.5X sales with a 2.5% yield and a big focus on cutting their debt in 2020 with planned asset sales including an \$11B divestiture to Asahi. The company also recently raised \$5B with their delayed Asia IPO and Reuters reporting on 11/27 that the company has hired advisors to explore options for their packaging business which could fetch as much as \$6B. BUD sees EPS growth re-accelerating in FY21 with sales up 2% in 2020 and 4% in 2021 after years of flattish performance. They've lost some share in beer but their recent deal for Craft Brew (BREW) gives them more diversity on the shelf while management commentary in October indicated the company is prepared to buy their way into the hot seltzer market. Analysts have an average target for shares of \$88. Guggenheim a buyer into weakness on 10-28 saying BUD has one of the best growth algorithms in the space with continued optionality for deals given the recent IPO in Asia. CSFB positive on 11/19 seeing 2020 as a bounce-back year for beer with a material jump in marketing spend. Hedge fund ownership fell 7% in Q3. Altria with a sizable stake while Suvretta Capital and Twin Tree notable buyers as well.

Hawk Vision:



Hawk's Perspective: BUD may be able to carve out a bottom here but overall just not a preferred name in the Beverage space, so not tailing this one.

Confidence Ranking: \$\$