



FEATURED OPTIONS RADAR REPORT



ConAgra Bulls See Transitional Story Gaining Strength in 2021

Ticker/Price: CAG (\$38.50)

Analysis:

ConAgra (CAG) buyer 1000 January 2023 \$35 calls for \$7 and volume up over 2,000 now on the morning. CAG doesn't have a lot of other notable open interest but has seen some smaller January \$32 call buys and put sales in open interest. The January \$30 puts also sold to open over 1,950X in Feb. 2020 that remain holding. In January, a director bought over \$335,000 in stock at \$33.70 and follows a \$1.35M buy in 2020 around the same price. Shares are trading back to resistance of a weekly bull flag and key area that stretches back to late 2017. CAG is a bit extended near-term but a consolidation above \$37 and a big volume node sets up for a run at \$40 and longer-term measured target out to \$50. The \$18.6B company trades 15X earnings, 1.6X sales, and 17.3X FCF with a 2.85% yield. CAG has been a portfolio story for the last year as they jettison underperforming brands like Peter Pan peanut butter and reports recently they could sell Hebrew National to JBS for as much as \$700M. The company continues to execute on deleveraging and investing in capacity around frozen foods, refrigerated grocery items, and snacks. The frozen segment remains a massive grocery opportunity and CAG a category leader with \$5.9B in sales last year while they also see snacks as a significant area of improvement for the long-term with a wide array of new SKUs for ready-to-eat items on shelves in 2021. The company noted at CAGNY earlier this year that 4 out of 5 snack brands owned by CAG were seeing share gains in their verticals and now the second-fastest growing portfolio in the US with growth about 3X higher than category average. Analysts have an average target for shares of \$36.25 with a Street High \$41. Jefferies positive in January noting that the benefits from COVID are not expected to be a one-off benefit and consumers surveyed by the firm suggest that the away-from-home dining recovery should be gradual even with a vaccine. Short interest is 2.5%. Hedge fund ownership rose 2.35% in Q4 and it remains Jana Partners's top position at 10.8M shares.

Hawk Vision:



Hawk's Perspective: CAG has earnings coming up soon and strong history higher six of the last eight, a nice turnaround story and positioned well in categories that should continue to be strong post-pandemic; the Jan. 2023 calls give time to find a better risk/reward entry and position for the run to \$50+

Confidence Ranking: \$\$