



## FEATURED OPTIONS RADAR REPORT



### Size Call Accumulation in Potential Consumer Goods M&A Target

Ticker/Price: K (\$66.99)

#### Analysis:

**Kellogg's (K)** traded 16,000 calls on 8/17 which is 20X daily average as the January \$67.50 calls were active 5500X with buyers and the March \$72.50 calls as well with more than 6000 bought. K interestingly still has 10,000 each of the September \$67.5 and \$70 calls in open interest from size buys in April and May. K has trended lower since 2016 highs but also the monthly showing a large rounded base building with bullish RSI divergence and monthly MACD crossing bullish, potential to go on a big run and above \$72 measures to \$92. K is a top manufacturer and marketer of ready-to-eat cereal and convenience foods including crackers, savory snacks, toaster pastries, cereal bars, granola bars and bites; and convenience foods, such as, ready-to-eat cereals, frozen waffles, veggie foods and noodles. Key brands include Kellogg's, Cheez-It, Pringles, Austin, Parati, Kashi, Bear Naked and RXBAR. Kellogg is coming off of a strong year with their snack products gaining momentum due to the pandemic and triple-digit growth in ecommerce sales. The company is coming off of a multi-year investment cycle in their tech capabilities and seeing a vastly improved supply chain and brand-targeting strategy. The company expects to see further rollout of their meatless products Incogmeato in 2021 and expand their shelfspace among the different channels. K has a market cap of \$22B and trades 15.75X Earnings, 1.6X Sales and 13.4X EBITDA with a 3.5% dividend yield. Forecasts see revenue growth modest at 1-2% annually and EPS growth of 2-3%. K has been rumored as a potential M&A target in the past. K is seeing input costs weigh on margins but its organic sales growth of 2-4% in 2H is better than its peers. Analysts have an average target of \$68 with short interest at 6.3% of the float. BMO raised its target to \$75 in May positive on the growth and price elasticity.

#### Hawk Vision:



**Hawk's Perspective:** K has risen more than 5% in the past week which is a big move for a slow grower, the activity looks very interesting and see if it can pull back and base.

**Confidence Ranking:** \$\$