



Kraft Heinz Attracts Bearish Put Accumulation

Ticker/Price: KHC (\$47.85)

Analysis:

Kraft Heinz (KHC) block of 1,500 Jan. 2021 \$40 puts opens \$3.55 after sizable March put accumulation recently in both the \$50, \$47.50, and \$45 puts. The former seeing size buys with over 21,500 adding since 1/30. KHC has a lot of call open interest from November/December as well although most under water or positions which have adjusted down throughout the downtrend. Shares are back at the 13-week EMA, daily cloud resistance, and downtrend resistance from the 2018 highs after bouncing. A move under the 20-EMA at \$47 and recent range targets a re-test of the recent lows. The \$58B company trades 12.93X earnings, 2.2X sales, and 42.4X cash with a 5.25% yield. KHC sees 2.5% to 4% EPS growth through the next two years with little to no revenue growth after taking down estimates over the last year. The company has been facing headwinds from FX, higher promotional activity which is pressuring margins, and growing trends in private label. Analysts have an average target for shares of \$65 with 10 buy ratings, 4 hold ratings, and 4 sell ratings. Credit Suisse out cautious on 1/8 noting that recent Nielsen scans showing flat sales for December and concerns over the overall product mix. They note that volumes are likely up 3% but due to a 2.5% decline in prices, especially in areas like cheese. Higher volumes without better pricing is expected to cause distribution and logistics cost overruns. Deutsche Bank out warning today on the name citing lack of visibility on profits and margin pressures due to higher promotional activity tracked. Their checks also show a greater loss of shelf space in their largest categories and management's efforts to turn around the balance will take time. Short interest is 1.6%. Institutional ownership jumped 59.47% among hedge funds but down slightly overall. Citadel, Wellington, Element Capital, and Levin Capital adding to their positions. 3G and Berkshire remain top holders.

Hawk Vision:



Trading Strategy: KHC has not been able to rally much with peers and continues to look like a struggling situation. M&A has always been the expectation but it has not made a move and at this stage a deal may see a negative reaction to shares.

Confidence Ranking: \$\$