



## FEATURED OPTIONS RADAR REPORT



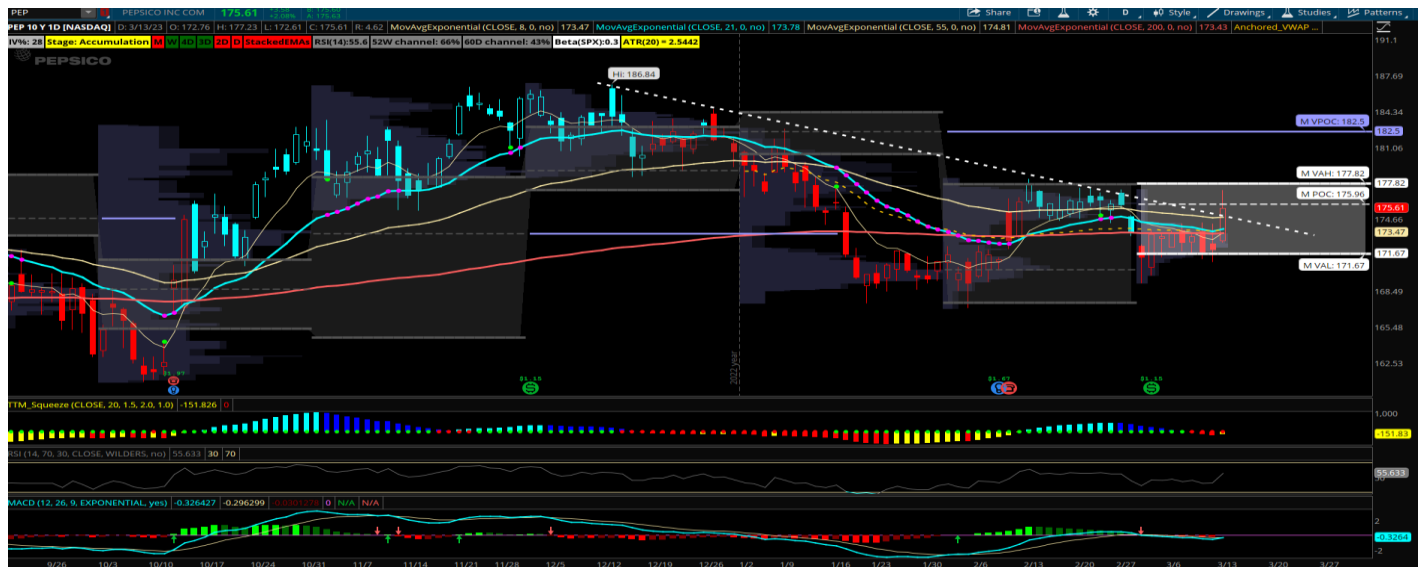
### Defensive Beverage Name Sees Rotation with Recent Large ITM Call Buy

**Ticker/Price:** PEP (\$175.63)

#### Analysis:

**Pepsi (PEP)** on 2/14 saw a large ITM call buyer of 600 July \$150 calls at \$28.35 and over \$1.75M in total bought and still holding in open interest. Last week on 3/10 also saw a opening sale for 2100 April \$175 straddles at \$9 which leans bullish delta and also still has 1500 January \$170 short puts in OI from sellers on 2/10 at \$8.80. PEP also has 1500 January \$170 calls in OI from buyers on 8/25 at \$22.70 so plenty of bullish positioning and now price action starting to setup the move higher. Shares have been pulling back with Staples stocks to start the year after a strong end of 2022 but now with volatility back in the markets seeing some rotations start to push money flows back into Staples and lower beta stocks. PEP has held the 200 day EMA and lower edge of value area this month near 172 and now trying to clear the 21 EMA and 55 EMA today with the 177.50 level the next hurdle above here. A close above there would signal a breakout of monthly value and potential quick move to 182.50 which is an untested VPOC above and the all time highs at 186.84. The \$242.0B company trades at 23.4x earnings, 3.0x sales, FCF yield of 3.9% with a 3.0% dividend yield while revenue is expected to grow +4% in FY23 and +5% growth estimated in FY24. PEP is coming off a strong quarter beating EPS and Revenues but provided a softer outlook while the CEO said they are seeing a huge runway for growth in convenient foods and drinks and sees an opportunity to tweak their portfolio o brands with both investment and divestment and may focus on medium sized deals when comes to M&A. The company also raised its annual dividend by 10% to \$5.06 per share, marking its 51st consecutive dividend hike, and announced plans to repurchase approximately \$1.0 bln of shares in FY23, displaying confidence by management in future cash flows. Average analyst target is \$190. Citi started at a Neutral and \$180 target while Barclays lowered its target to \$187 from \$197 and keeps a Overweight citing the companies guidance that includes organic sales growth at the high end of its medium term algorithm, but the profit outlook came in below consensus. Morgan Stanley boosted its target to \$200 last month and has an Overweight. Short interest is at 0.8%. Hedge fund ownership fell 9% last quarter.

#### Hawk Vision:



**Hawk's Perspective:** PEP is safer low beta name that could outperform if can clear this 177 level and likely target the former highs from late last year. Trading long against a close under monthly value at 171.50 works well.

**Confidence Ranking:** \$\$