



FEATURED OPTIONS RADAR REPORT



Unusual Call Buys in Restaurant Distributer

Ticker/Price: PFGC (\$44.38)

Analysis:

Performance Food Group (PFGC) traded 20X daily calls on 8/2 as nearly 2500 December \$50 calls were bought near \$3.20 average to open, and a name with 5500 August \$45 calls bought in open interest and over 9000 short August \$40 puts. PFGC shares have been steadily pulling back with the rest of the reopening plays since May and sits under the 200-day moving average. Shares are, however, sitting above the \$42.70 recent low which was a 38.2% retracement support and MACD showing some bullish divergences as it nears a positive cross. PFGC is a food distributor that serves independent and chain restaurants, schools, business and industry locations, hospitals, vending distributors, office coffee service distributors, retailers, convenience stores, and theaters. In May the company announced a large \$2.5B cash and stock deal to buy CoreMark (CORE), expanding their retail exposure which follows its deal for Reinhart in 2020. The food distribution industry is valued at \$311B and PFGC has always screened attractive to peers with leading growth and margins. PFGC has a market cap of \$6.15B and trades 19.7X Earnings, 13.6X EBITDA and 10.2X FCF with revenues seen rising 17.9% in 2021 and 12.4% in 2022 and EBITDA growing 50% and 30% respectively. PFGC will continue to face some pricing pressures with labor shortages and rising freight costs. Analysts have an average target of \$63 on shares and short interest up 100% Q/Q to 5.5% of the float. UBS started shares at Buy last week with a \$62 target seeing an attractive entry point for a leading name with a large addressable market. Piper started at Overweight with a \$64 target in April noting PFGC's 88% exposure to restaurants. Hedge Fund ownership declined 2% last quarter.

Hawk Vision:



Hawk's Perspective: PFGC has ugly price-action but is a favorite in its group and attractively valued, a close above the 34-EMA near \$47.15 would be a good signal. I think it is a name that offers solid returns longer-term as business returns to normal.

Confidence Ranking: \$\$