



FEATURED OPTIONS RADAR REPORT



Bulls Position for Margin Expansion and Revenue Acceleration in Beer & Wine Leader

Ticker/Price: STZ (\$227)

Analysis:

Constellation Brands (STZ) recently reported but flows are now coming in very bullish with buyers accumulating 6000 June \$235 calls this week and also 3750 of the \$205 puts sold to open. STZ does have a spread in October that sold 1000 \$245 calls to buy the \$210/\$185 put spreads and likely is protective. STZ shares have based at major volume support on the weekly going back to early 2021 and also held firm near the rising 200-week EMA. STZ is seeing a bull MACD cross on the weekly and RSI nearing a move over 50, working above VWAP off the highs with room to move back towards the upper end of the range at \$250. STZ is an international producer and marketer of beer, wine, and spirits with operations in the U.S., Mexico, New Zealand, and Italy with powerful, consumer-connected, high-quality brands like Corona Extra, Modelo Especial, the Robert Mondavi Brand Family, Kim Crawford, Meiomi, The Prisoner Wine Company, and High West. STZ spoke on its latest call on the strong momentum in the beer business and across brands sees awareness, distribution and demographic upside opportunities while premiumization has been a major theme. STZ has a \$41.7B market cap and trades 17X Earnings, 15X EBITDA and 36X FCF with a 1.56% dividend yield. STZ revenues are seen rising 6-7% annually with EPS growth of 8% in FY24 accelerating next FY to 14%. Q4 beer margin upside was good enough to drive a positive stock reaction and offset slightly below consensus FY24 EPS guidance. Margins have been a big focus in recent quarters, but with greater clarity on FY24 and potential outsized FY25 expansion as lower spot costs flow through, STZ could over-earn. Analysts have an average target of \$260 with short interest at 2.3% of the float. Citi recently started shares Buy with a \$265 target seeing re-acceleration in beer depletions/topline to ~6%/7.5% in FY24.

Hawk Vision:



Hawk's Perspective: STZ on the verge of a \$230 breakout that could carry shares to \$250, June 235 calls closed under \$4 and look rather cheap for that potential. STZ also a consistent top quality name, so if the market remains in bull mode it should perform well.

Confidence Ranking: \$\$