



FEATURED OPTIONS RADAR REPORT



Large Bull Spread Sees Upside Move for Best-of-Breed Spirits Name

Ticker/Price: STZ (\$226.75)

Analysis:

Constellation Brands (STZ) with 3,992 October \$245 calls bought for \$2.77 with the \$200 puts sold for \$2.40 to open, shares basing at the 200-day. **STZ** also later saw 300 April 2022 \$240 calls bought for \$11.80. **STZ** has seen limited flows recently but still has bullish open interest in the January \$225 calls where 850 were bought in early July for nearly \$1M. Shares are back at the 200-MA and forming a narrow base under \$228 and the 8-/21-EMA. A pop above has room to run back to a high-volume node around \$237 and then recent highs up at \$245. Longer-term, **STZ** is consolidating in a multi-month range under the 2018 peak and a breakout through that \$245 level would be significant with upside to \$280. The \$43.15B company trades 19.25X earnings, 5X sales, and 30X FCF with a 1.35% yield. **STZ** is coming off of a strong quarter with improving near-term trends and bullish demand outlook as more on-premise channels reopen at full capacity. The company is also expecting their newly reshaped Wine & Spirits portfolio to drive accelerated growth as the focus now turns to high-end, industry-leading brands. **STZ** has a lot of upside drivers over the next 12-18 months including gaining share for their Corona seltzer, new product launches like limonada, new packaging with an emphasis on variety packs that drive higher off-premise buys, and higher synergies with Canopy Growth in the cannabis space. Analysts have an average target for shares of \$257 with a Street High \$305. MKM raising estimates on 7/1 citing strong beer depletions and demand which remains strong and guidance is likely conservative given cost inflationary pressures, depreciation step-up at Obregon, marketing spend increases, and the roll-off of favorable hedging positions. Short interest is 1.47% and just off of 10-year lows. Hedge fund ownership fell 3.5% in Q1.

Hawk Vision:



Hawk's Perspective: **STZ** has long been a best-of-breed name in the space and back at an ideal long-term entry spot against the 200-MA, name that will benefit from both the macro environment as well as recent self-help initiatives within its portfolio

Confidence Ranking: \$\$