



## Constellation Brands Call Buyer Looks for Rebound

**Ticker/Price:** STZ (\$166.5)

### Analysis:

**Constellation (STZ)** with 1000 July \$180 calls being bought \$6.80 to \$8 this morning. STZ does not currently have a lot of notable open interest and likely will face an impact from the virus outbreak as peers in Europe have warned on sales. STZ shares have sold off sharply this week and sit back at 4 year trend support and near a low from early 2019. The \$33.65B beer and wine seller trades 19.1X Earnings, 4.1X Sales and 34.4X FCF with a 1.7% dividend yield. STZ is coming off a strong quarter and will next report in early April. The company made a somewhat surprising deal in December to sell their Ballast Point brand at a sizable loss but a number of sell-side notes positive on the move as new CEO Bill Newlands is taking a more aggressive approach to adding high-growth and high-margin names rather than focusing on self-help stories which could drag out. Their leading beer brands like Corona and Modelo Especial continue to win market share as they sit in the sweet spot for demographics right now as some of the higher-end premium brands struggle. STZ has also announced plans recently for a seltzer line in the Spring and could give more details there on planned spend and rollout. Jefferies out positive on 1/22 with a \$265 target saying multiple does not reflect its best in class beer business. STZ noted on 1/8 it is looking to divest more wine and spirit brands. Hedge Fund ownership rose 3.9% in Q4 filings, Jackson Square adding more shares, a #1 holding at Kensico, and Carmignac Gestion adding more to a large concentrated position.

### Hawk Vision:



**Hawk's Perspective:** STZ is among the high quality names that will surely rip back strong in due time, tough tape currently and have to trade with a tight leash, while puts are too pricey now to be all that effective as protection.

**Confidence Ranking:** \$\$