



FEATURED OPTIONS RADAR REPORT



Sysco Bulls Position for Reopening, Restaurant Spending Strength

Ticker/Price: SYU (\$80.30)

Analysis:

Sysco Corp (SYU) with bullish activity this week as 1640 November \$90 calls, 1200 November \$100 calls and 1665 November \$70 short puts opened on 4/20. SYU still has 2,500 January \$80 calls and 2,375 January \$85 calls in open interest from buyers last June sitting on some profits. SYU has a tight weekly bull flag forming like many of the reopening names and \$82 a breakout level to try and move through 2020 highs with the first Fibonacci extension target up at \$109. SYU will next report on 5-4. SYU is the largest global distributor of food and related products primarily to the foodservice or food-away-from-home industry. Sysco's customers in the foodservice industry include restaurants, hospitals and nursing homes, schools and colleges, hotels and motels, industrial caterers and other similar venues where foodservice products are served. Fresh & Frozen Meats, Canned/Dry Products, and Frozen Fruits & Vegetables account for 52% of revenues with Poultry, Dairy, Fresh Product, Paper/Disposables, Seafood, and Beverage smaller contributors. Restaurants account for 62% of sales. SYU has a \$41B market cap and is trading 25X Earnings, 14X FY22 EBITDA and 0.9X Sales with a 2.24% dividend yield. Forecasts see revenues under pressure in 2021 again down 6% with q4 where easy comps start to kick-in and set up for 18.7% growth in 2022 with EBITDA set to grow more than 50%. SYU has long been an industry-leader and Adjusted EBITDA margins run 2X the industry average and SYU has \$8B in cash and liquidity with a strong balance sheet. SYU will host an Investor Day on May 20th. Supply chain cost inflation is one area of concern for investors. Analysts have an average target of \$83.50 with short interest at 1.2% of the float. JPM raised its target to \$85 on 4/12 as earnings normalize the next 12-18 months. Piper upped its target to \$86 as Knapp Track data shows strengthening US restaurant trends. Hedge Fund ownership jumped 8.9% last quarter, Trian Fund remains concentrated at 22.6% of its portfolio, and Longview and Yacktman also with sizable stakes.

Hawk Vision:



Hawk's Perspective: SYU is a high quality leader and the positioning makes a lot of sense, looking for a nice breakout of this range.

Confidence Ranking: \$\$