



## FEATURED OPTIONS RADAR REPORT



### Former Activist Target Draws Unusual Near-Term Upside Call Buys

**Ticker/Price:** USFD (\$35.95)

#### Analysis:

**US Food Holdings (USFD)** last week saw 10,000 December \$35 calls bought to open for over \$1M and even saw buyer sin the \$40 calls on Friday while 3500 January \$30 calls bought on 8/19 for \$4.5M remain in open interest. USFD shares are +3% YTD and on a strong 1-month run nearing trend resistance off its 2021/2022 highs. USFD shares are back insider a high-value zone of \$32/\$42 with breakout potential. USFD is a leading foodservice broadline distributor with meat & seafood leading its product mix. USFD is coming off an in-line quarter and will speak at the Barclays Conference on 11-29 and also announced a new share repurchase plan. USFD launched MOXe, its next-generation industry-leading digital tool to drive market share gains with key customer types. The company remains focused on share gains and margin expansion. USFD has a market cap of \$8B and trades 10.4X EBITDA with a 5.8% FCF yield and topline seen growing 6% in 2023 after 15.7% growth in 2022 while EPS seen rising 20%+ each of the next two years. USFD is showing encouraging results and the buyback is the first in its history, so a more favorable capital allocation strategy. National scale and competitive advantages in technology, product innovation, and ecommerce (~70% of sales are online) as well as two significant recent acquisitions set up future opportunities. USFD's exposure to Healthcare and Hospitality can provide a boost in 2023. Analysts have an average target of \$41 with short interest low at 1.5% of the float. Sachem Head has 18.76% of its portfolio in USFD and has been pushing for control of the Board with a settlement announced in May as the CEO stepped down. Sachem Head sees potential to expand margins and to reach \$4/share in earnings.

#### Hawk Vision:



**Hawk's Perspective:** USFD action is near-term focused and shares a bit extended but also a name with potential value of \$60 while consolidation a long-term industry theme, so there could be something in the works here.

**Confidence Ranking:** \$\$