



SMPL BEARISH ALERT

Jan. 22, 2021



Bearish Opportunity Alert: **SMPL**

Actionable Trade Idea

Sell Short Simply Good Foods Co. (NASDAQ:SMPL) stock above \$26/share**

Alternative approaches would include selling OTM call options with a strike price 5% above the current price of the stock each month to generate income until a position is established.

We believe the stock could be in for a significant correction of 25-30% within the next year.

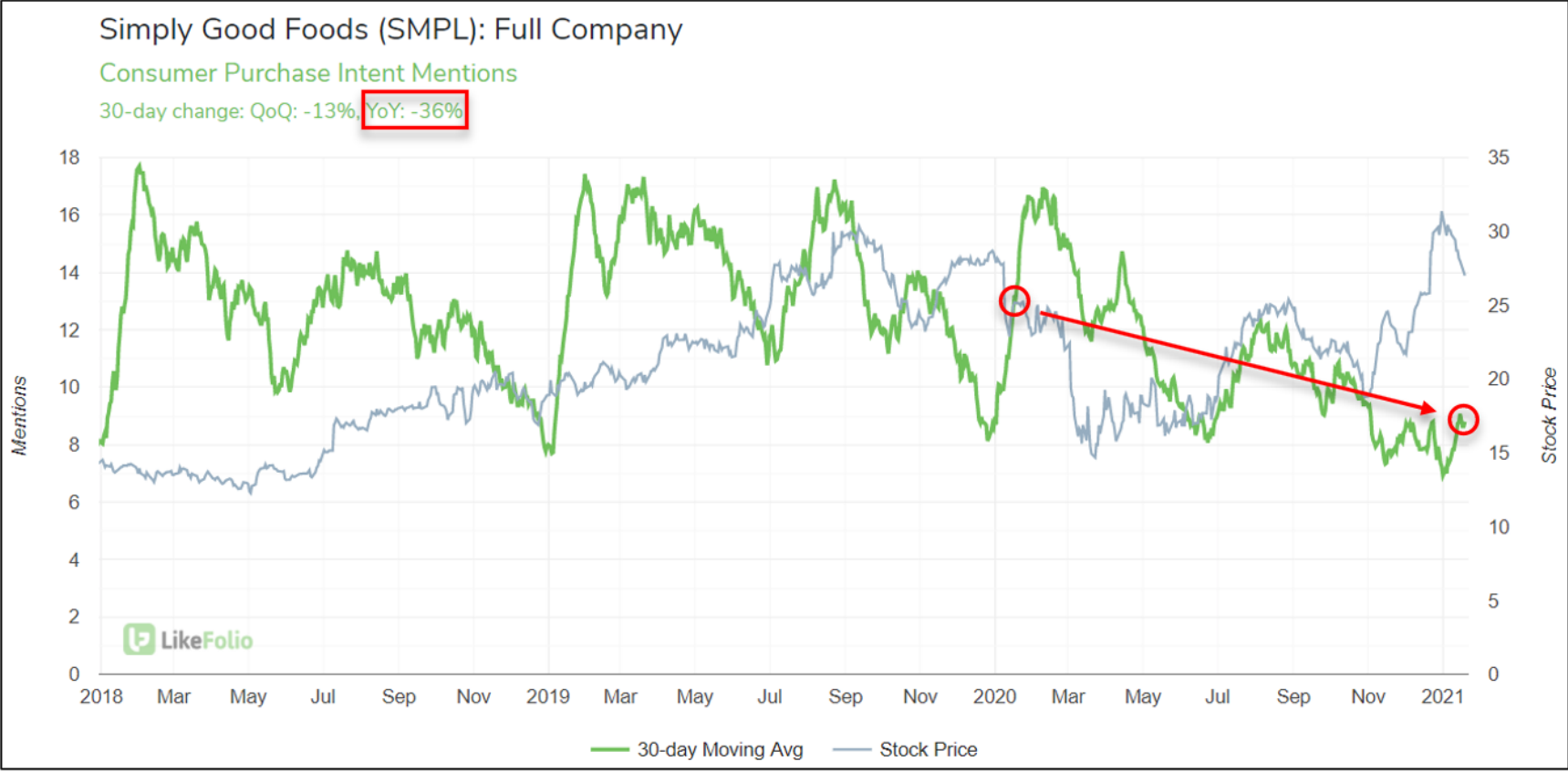
****ON ALL TRADES**, it is important to use proper risk management to correctly allocate and protect your capital. One popular exit strategy for bearish trades is a 25% trailing stop.

Summary: The Simply Good Foods Company caters specifically to dieters following low-carb, high-protein regimens. LikeFolio data shows that Consumers' interest in these diets has been waning alongside demand for SMPL's products. The combination of these downtrends suggests that this health food company's sales will disappoint expectations going forward.

Consumer Demand:

- Consumer Mentions of buying and eating Quest and Atkins-brand diet foods have declined **-36%** in the past 30 days vs. the prior year.
- Historically, New Year's resolutions have caused a surge in Purchase Intent Mentions for SMPL's portfolio of healthy snacks, meal replacements, and dietary supplements

SMPL: Unusual Demand Weakness



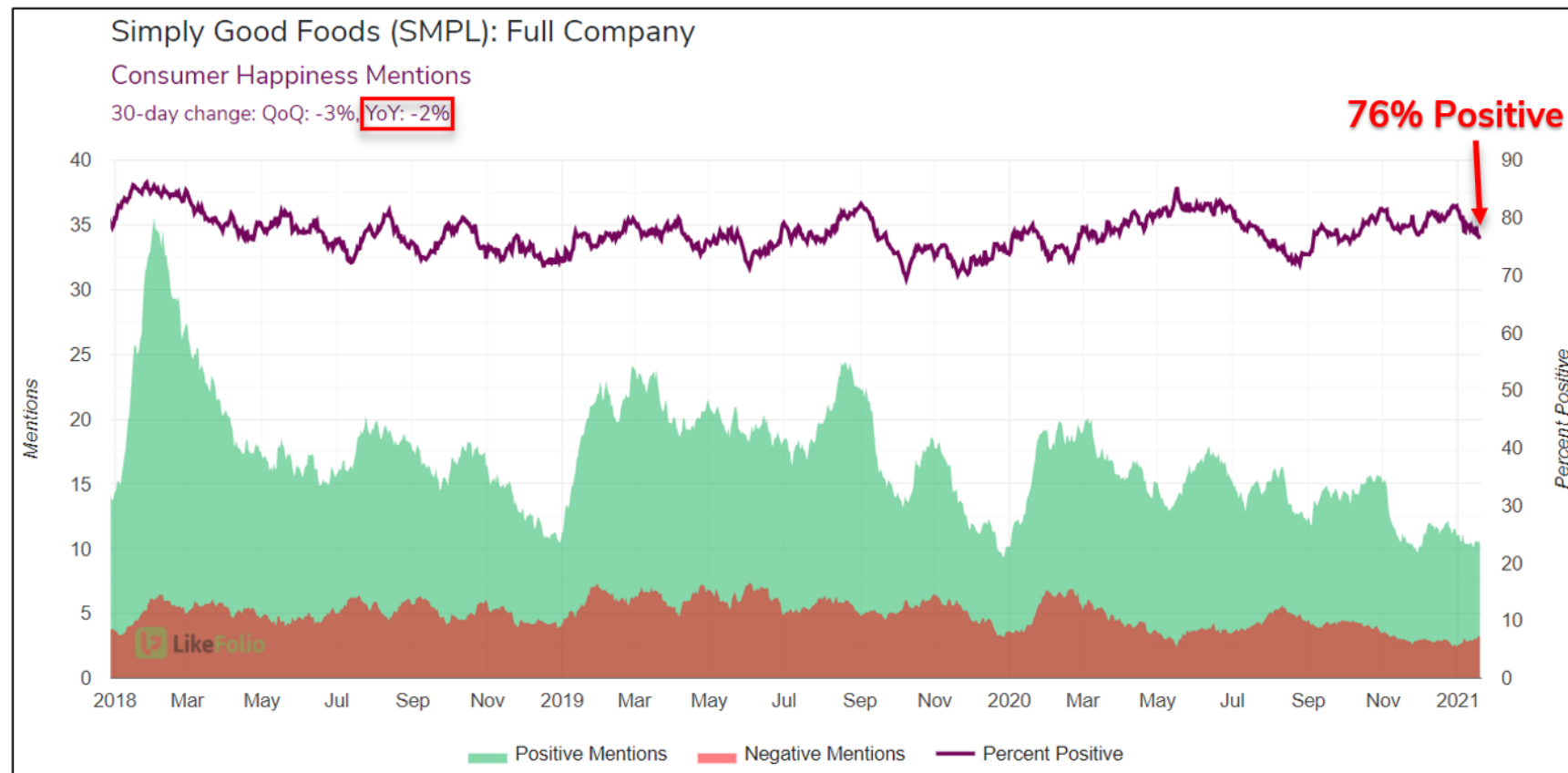
Consumer Happiness:

- Consumer Happiness is at an average level for a packaged food company (currently **76% positive**), trending -2% YoY in the past month

Peer Comparison:

- MKC: 85% positive
- HAIN: 79% positive
- SJM: 78% positive
- BYND: 77% positive
- **SMPL: 76% positive**
- MDLZ: 73% positive
- BGS: 71% positive
- GIS: 70% positive
- PEP: 68% positive

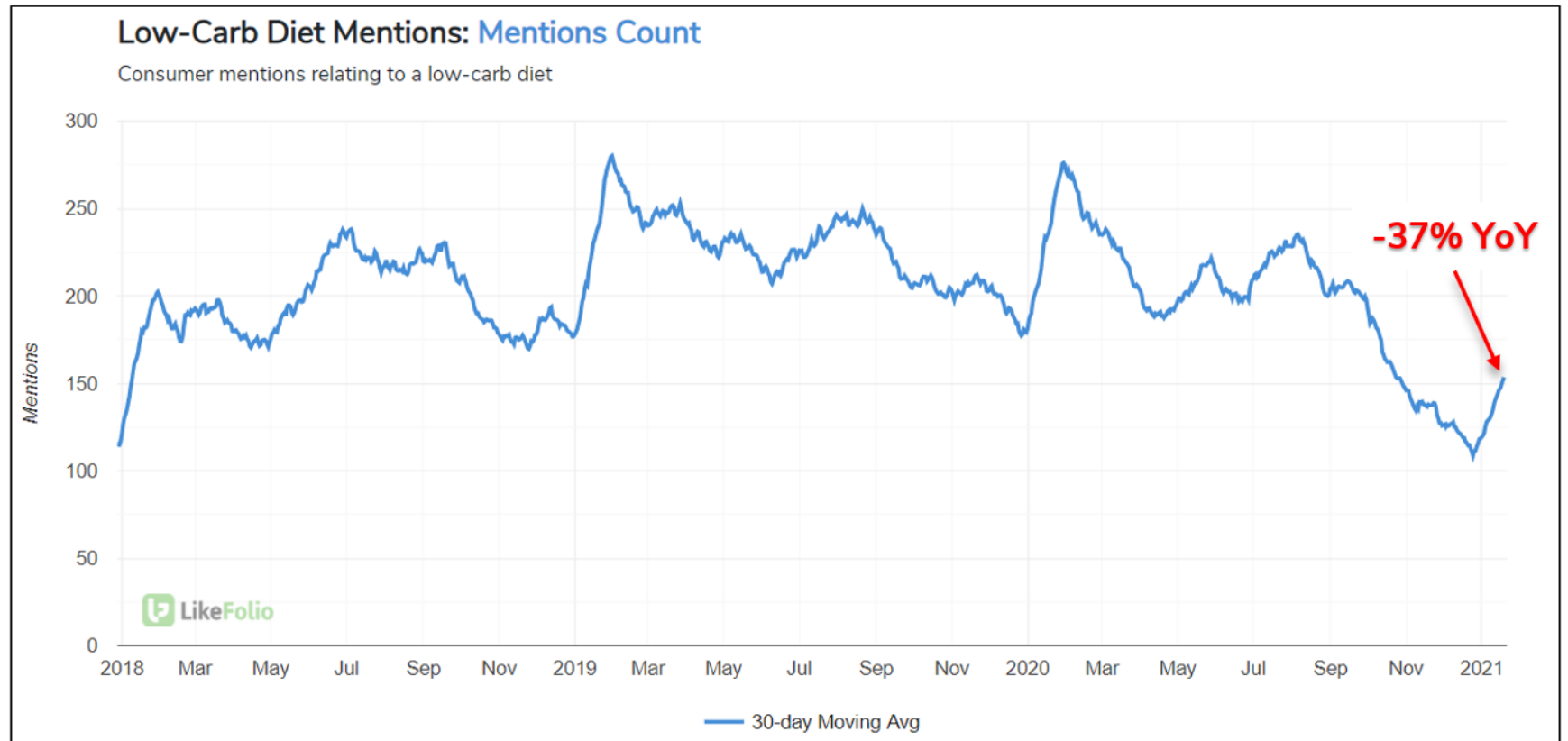
SMPL: Average Compared to Peers



SMPL: Key Diets are Losing Traction

Macro Headwind:

- Consumer mentions of a diet low in carbohydrates are trending significantly lower than the past 3 years, **-37% YoY** in the past 90 days
- SMPL's entire brand portfolio revolves around a low-carb diet, high-protein diet –
- High-Protein Diet Mentions are down **-14% YoY** in the past 90 days.



SMPL: The Bottom Line

- All three metrics (consumer demand, sentiment, and macro behaviors) are red for SMPL.
- During the last [earnings conference call](#), SMPL's CEO re-iterated the management team's long-term confidence in catering to low-carb/high-protein dieters:
“Additionally, consumers continue to express that **high protein, low carb** and **minimal sugar** are important attributes while making snacking decisions. As such, we feel good about our long-term business prospects.”
- Consumer mentions of **avoiding or trying to consume less sugar** are also declining: **-32% YoY** in the past 90 days.

Caveats:

- It's possible that a definitive end to lingering COVID-19 restrictions could produce **renewed interest in fitness and dieting** in the future.
- In the [21Q1 earnings release](#) (1/6/21), SMPL's management noted strength from the “snackier portion” of the portfolio. Product-specific mentions of Quest-brand snack foods (chips, cookies, etc.) demonstrated consistent growth in 2020 but are **completely flat YoY** in the past 90 days.

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