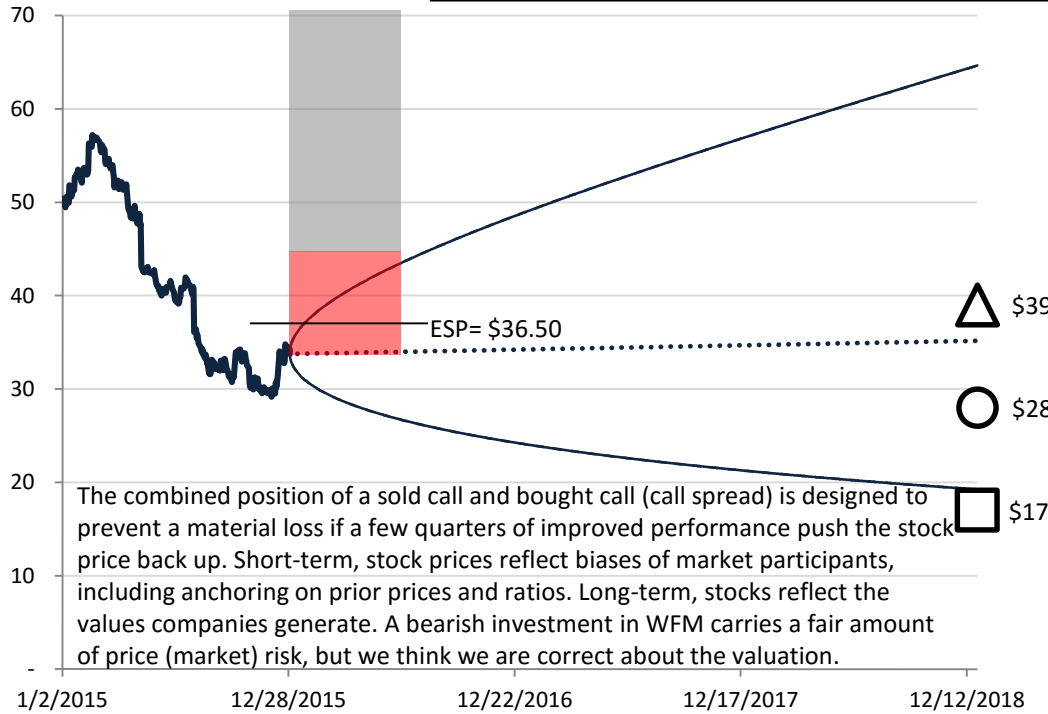


B / S	P / C / S	Strike	Exp.	Premium
SELL	Call	34	MAY'16	\$2.75
BUY	Call	45	MAY'16	(\$0.25)
NET	\$11 of cap @ risk for 142 days			\$2.50



Valuation & Return

IOI Conviction Rating: LOW

	Low	Likely	High
Stock Fair Value (\$)	17	29	39
Stock Return (%)	-50	-14	16
Option Period Return (%)	23	23	-23
Option Annual Return (%)	70	70	-49

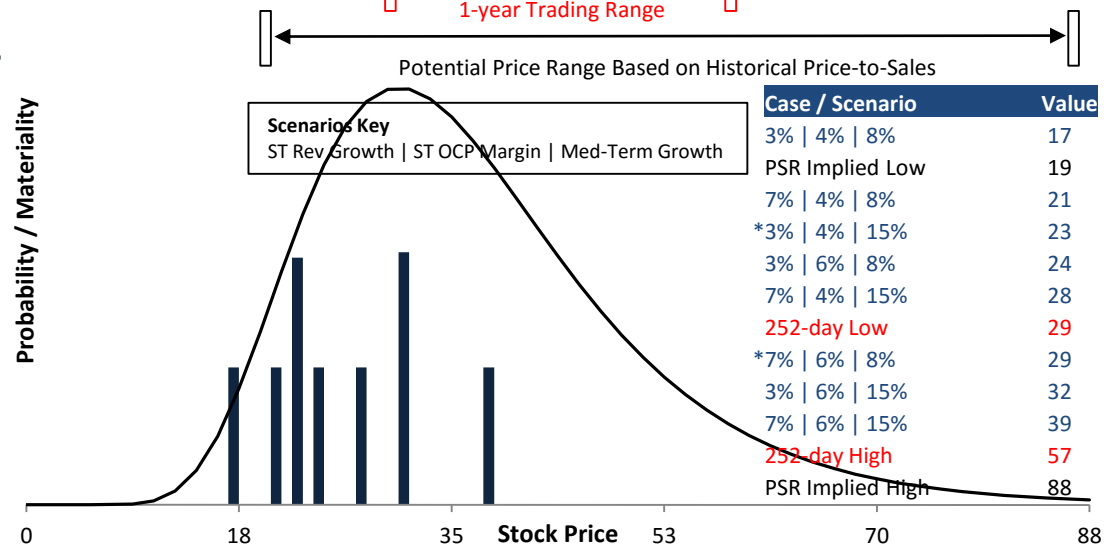
Historical Metrics

Measure	Historical Median	
	5-year	10-year
Revenue Growth (%)	11	12
Profit Margin (%)	6	5
Med-term Growth	16%	25%

Market Risk

WFM is trading at the low end of its PSR, so market risk for this strategy is relatively high. If investors are anchoring on prior price/PSR levels, this investment may need to be rolled and suffer losses in the meantime.

Probability / Materiality



IOI Tear Sheet : Whole Foods (WFM)

Short Call Spread (Low Conviction)

Data as of 30 December, 2015

IOI's Take

IOI has been spending some time on WFM over the last month as shares have fallen by 33% this year alone. The natural & organic food space grows at 10% annually, but competition has taken a bite out of WFM's revenue growth and profitability. The market shows a wide range of possible price outcomes (see the BSM cone at left) driven by uncertainties about the effects of WFM's marketing and brand development, culinary customer growth strategy and the advent of "365 by WFM" stores in 2016. The bottom line is that WFM's low store density makes competitors more attractive and creates both traffic and cart size issues over the near term.

Drivers

Revenues	Revenue growth has slowed substantially at WFM over the last 4 years as competition has ramped up significantly. WFM generates the best OCP margins in retail grocery even after recent contraction. We expect OCP margin to continue shrinking but expect it to level out around an industry-leading 4% level.
Profitability	
Investment Level / Eff.	Historical investment efficacy has been very high, but competition has eroded this advantage. WFM's value hinges on the results of marketing and new store strategies
Balance Sheet	No hidden issues found in our analysis.