



## Sizable Buys of Restaurant Brands Calls as Gap is Tested

**Ticker/Price:** QSR (\$61)

### Analysis:

**Restaurant Brands (QSR)** buyers of more than 8,500 July \$65 calls today for \$1.90 to \$1.95 and then 1,200 October \$65 calls for \$3.80 as shares jump off the lows. QSR still has over 8,000 April \$55 and \$60 calls in OI from buyers in December while the January \$55 and \$60 calls have bullish OI from January. Shares are back near gap support from January around \$60 and looking to reclaim the 8-week EMA at \$61.55. The long-term look at key resistance at \$65 and a move higher targeting a \$77.50 as it makes new highs. The \$15.55B company trades 20.74X earnings and 2.9X sales with a 3.25% yield. They expect 5.3% and 9.9% EPS growth through FY20 with sales growth of 4-5%, although upside to estimates as they go through the first steps of international expansion for Popeyes and other franchises. The company is specifically focusing on Asia, Latin America, and Europe where they can build new partnerships to add units. QSR seen strong system-wide growth across both Tim Hortons and Burger King driven by better menu focus and greater penetration of digital through kiosks, mobile, and delivery. M&A has long been the speculation for the company, especially in pizza where they lack an entrant. They will hold an Analyst Day in May. Analysts have an average target for shares of \$70 with 12 buy ratings and 2 hold ratings. Short interest is 4.1% and down slightly from recent levels near 4.6%. Piper positive on 2/25 seeing shares deserving of a premium to peers given their 6% unit-growth profile and positive comp momentum. Oppenheimer positive on 2/12 forecasting a much healthier 2019 earnings growth story with accounting questions out of the way. They also think capital optionality through M&A remains a unique catalyst. Institutional ownership fell 3.5% last quarter. Pershing Square remains a top holder with 19.68M shares while Berkshire has 8.4M shares. Insiders remain active in buying shares with the last sizable buy in February at \$64.75, a \$2M investment from the President of Tim Hortons.

### Hawk Vision:



**Trading Strategy:** QSR is an interesting set-up with an alert set above \$62.85 for a move out of the current downtrend.

**Confidence Ranking:** \$\$