



Bullish Put Sales in Domino's Pizza

Ticker/Price: DPZ (\$280)

Analysis:

Domino Pizza (DPZ) opening sales of 2000 June \$260 puts down to \$2.15 showing a willingness to buy shares back at its rising 50 day MA. DPZ has shown strength recently along with the whole casual dining space and setting up for a potential major weekly consolidation breakout of the \$240/\$300 range. The \$11.5B pizza delivery company trades 25.75X Earnings, 3.3X Sales and 21.6X EBITDA. DPZ is seen growing revenues 8% this year and 9%+ the next two years, one of the stronger growth stories the past few years, also forecasted for 10-15% annual EPS growth. DPZ has 5,511 franchise stores and 392 owned in the US with 32 straight quarters of positive same store sales while 10,211 International franchise stores. DPZ generates profits from franchise royalties and has steadily gained market shares in QSR Pizza market up to 31.3% in 2018 from 23% in 2013. It sees potential for another 5,300 stores in its top 15 markets and has been speculated as a potential acquisition target in the past. It has been a leader in technology solutions for mobile ordering and a successful loyalty program. Analysts have an average target of \$300 and short interest is high at 9% of the float and surging 170% Q/Q. MSCO upgraded to Overweight on 4/17 noting investors are not realizing the growth story and concerns over declining US trends are overdone as it outperforms peers by a wide margin. DPZ will speak at the Bernstein Conference on 5-29 and has a few Conferences set for early June. Maxim raised its target to \$315 on 4-24 seeing margin upside. Stephens raised its target to \$325 noting strong business despite external threats like free delivery and restaurant aggregator services. It sees YY comps easing through 2019. Hedge Fund ownership fell 5.3% in Q1 filings, Tiger Global and Chilton notable top holders.

Hawk Vision:



Trading Strategy: DPZ is extended from the put sale strike and not seeing upside calls bought, so more of a play if shares pull in to that support.

Confidence Ranking: \$\$