



Bulls in Dunkin' as One of the Stronger Technical Set-Ups

Ticker/Price: DNKN (\$81.5)

Analysis:

Dunkin Brands (DNKN) to the early highs with 2,485 September \$80 calls bought up to \$3.60, strong chart with shares coiled under \$82.50 and multi-week range. DNKN had buyers in the December \$82.50 calls in July while the January \$80 calls bought in January remain in OI 1350X. DNKN has a measured target of \$87.50 on a move higher. Shares are consolidating above the April breakout at \$77.50 and the 2018 range measures out to \$90+ in the longer-term. The \$6.77B company trades 25X earnings, 5X sales, and 14.27X cash with a 1.83% yield. DNKN is guiding to 6.6% and 7.5% EPS growth with sales up 3.6% each of the next two years. DNKN raised their FY outlook in July expecting better comps as their menu revamp expands to more stores. The company is seeing strong uptake for their espresso offering while their more health-conscious Power Platform has also been a standout. Their US Blueprint for Growth is also continuing to roll out with nearly 300 next-gen stores completed so far, adding more digital and in-store enhancements to drive traffic. Analysts have an average target for shares of \$77 with 6 buy ratings, 13 hold, and 2 sell. Argus upgrading to Buy on 8-7 with a \$92 PT, lifting their FY20 outlook behind a faster pace of location openings. They see comps growing as DNKN invests in revamping the in-store experience to include better drive-thru lines for mobile orders, digital order boards, and a coffee tap system. Short interest is 4.8% and down to its lowest level since 2015. Hedge Fund ownership rose 43.9% in Q2. SquarePoint, Millennium Management, Maverick Capital, and Shellback all notable holders.

Hawk Vision:



Hawk's Perspective: DNKN clearly has one of the nicer set-ups right now and continue to like the asset-light expansion story, but want to see the market stabilize before getting overly long names.

Confidence Ranking: \$\$