



Bulls See New Highs for Yum! Brands with Consumer Spending Strong

Ticker/Price: YUM (\$117)

Analysis:

Yum Brands (YUM) another 1,500 September \$115 calls being bought today up to \$4 where 1,000 were bought last week to open around \$3.05. YUM has seen buyers active in the January 2021 \$130 calls and January 2021 \$125 calls since mid-July while the September \$120 puts sold 1000X on 8-1. YUM shares are basing nicely above the rising 20-day MA and just under new highs with a move above \$119.50 targeting \$125. Shares have been in a strong long-term trend above the rising 8-week MA since December. The \$35.7B company trades 27.4X earnings, 6.5X sales, and 65X FCF with a 1.45% yield. YUM sees 9.7% and 11% EPS growth through FY21 with sales growth accelerating 4% and then 7%. YUM is coming off another strong quarter with comps up 5% driven by solid beats from KFC and Taco Bell. The company has invested in turning around the Pizza Hut brand with delivery a big focus. Recent comments from third-party delivery businesses like DoorDash and Grub Hub has shown Pizza Hut making inroads against peers like Dominos. YUM named a new CEO on 8-14, Greg Creed who led the turnaround at Taco Bell and successful campaigns to revamp the menu and marketing. Analysts have an average target for shares of \$110.50 with 6 buy ratings, 12 hold, and 1 sell. MKM starting at Neutral on 8-13 with a \$125 PT, a solid cash flow story but cautious on valuation. The firm anticipates Pizza Hut will overcome recent challenges like Taco Bell and KFC Brands prior. BTIG with a \$130 PT on 8-2. The firm citing a "robust" consumer environment and steadily unfolding international unit development. BMO with a \$112 PT with potential upside coming from the management's efforts to refocus Pizza Hut units on delivery. Short interest is 1.8%. Hedge Fund ownership fell 25% in Q2. Alkeon Capital a top holder. In February, a director bought \$250K in stock around \$94, the only open market buy since 2015.

Hawk Vision:



Hawk's Perspective: YUM continues to show impressive strength along with MCD while SHAK, WING, CMG also impressive, a top performing space this year and momentum looks likely to continue.

Confidence Ranking: \$\$