



## Wendy's Calls Add after Investor Day

Ticker/Price: WEN (\$20.78)

### Analysis:

**Wendy's (WEN)** on Friday with a buyer of 10,000 October \$21 calls \$0.25 to \$0.35 while January \$20 call open interest rose to 9,594 from 3,641 with size buys active near \$1.70 offer. WEN shares rose Friday out of a base after its investor day where it announced +4.4% comps, a 20% dividend increase and a solid long-term outlook. WEN will report on 11/6. WEN shares have been making higher lows since late 2018 and recently based along the rising 21 week EMA. The \$4.6B quick-service restaurant trades 27.7X Earnings and 2.8X Sales with a 1.92% dividend yield. WEN forecasts call for 6.7% topline growth this year and 5.1% next year. Analysts have an average target of \$21.60 and short interest at 5.6% of the float down 26% Q/Q hitting a three-year low. Stephens out last week with a raised \$24 target believing the breakfast roll-out will be break-even and sees the stock attractive as mid-single digit comp trajectory to offset near-term FCF pressure. BMO raised its target to \$24 on 10/2 seeing attractive FCF potential. Hedge Fund ownership fell 13.2% in Q2 filings, Trian Fund a top holder as its 4th largest continued to add.

### Hawk Vision:



**Hawk's Perspective:** WEN does not look overly attractive but the company has a strong forward vision and Trian Fund's large stake is noteworthy. There could be some value in letting this story play out.

**Confidence Ranking:** \$\$