



Size Calls Bought in McDonald's as Rebound Seen

Ticker/Price: MCD (\$133)

Analysis:

McDonald's (MCD) with 3500 January \$140 calls bought \$24.50 to \$25.50 to open this morning, size LEAPS similar to MGM/JPM yesterday. MCD has over 18,000 April \$160 short puts in OI, key level to reclaim above, while also some short puts at higher strikes up to \$175. Shares are back at a key breakout spot from early 2017 as well as the 50% retracement of the bull run from the 2003 lows. MCD may be uniquely positioned to thrive during the short-term shift to a delivery/to-go model during the COVID-19 closures for three key reasons. First, they get around 70% of current revenue from drive-thru already so it's a channel that's familiar to their base. The company has also focused on more value options amid menu changes which historically has driven traffic. Second, MCD recently completed a major tech renovation which included more than 11,000 digital drive-thru boards which not only makes the process more efficient but also has driven a higher average check over the last year as customers focus on add-ons and upgrades. And, finally, MCD was an early-adopter to delivery with third-party services as they're available across Uber Eats and more. The COVID-19 situation continues to linger on long-term outlook, however, and MCD said they will reevaluate in time. The \$113.25B company trades 14.87X earnings and 5.37X sales with a 3.65% yield. Analysts have an average target for shares of \$226. Stephens positive on 3-11 noting that breakfast checks remain positive despite new competition in the timeframe from Wendy's. Short interest is 1.2% and up from around 0.9% in November. Hedge fund ownership rose 1.68% in Q4. MCD has seen some size insider buying November with new CEO buying \$500k at \$193.81 and over \$700k bought cumulatively between 3-4 others.

Hawk Vision:



Hawk's Perspective: MCD already up \$13 intraday from the morning alert and like a lot of names need to see indicators swing back bullish, but a good sign seeing LEAPs bought in large caps last two days.

Confidence Ranking: \$\$