



## Bullish Reward to Risk Seen in Dunkin' for 2H Recovery

Ticker/Price: DNKN (\$58.3)

### Analysis:

**Dunkin' Brands Group (DNKN)** with an unusual large trade on 4/16 as September \$60/\$47.5 bullish risk reversals opened around a debit of \$1 to \$1.15 and no other real notable open interest in the name. The \$4.6B quick service restaurant trades 19.1X trailing earnings, 3.35X Sales and 33.6X FCF with a 2.9% dividend yield. DNKN shares are down 27% YTD and bottomed in late March retesting a major volume node and 61.8% Fibonacci of its lifetime range, the \$49 level should be strong support. A move above \$58 near-term sets up for a run to \$65. DNKN's blueprint for growth has involved modernization with its menu and convenience and making big investments in digital. Espresso has been a major recent growth driver while cold brew been another strong growth initiative. Analysts have an average target of \$65 and short interest at 3.5% of the float is down 10% Q/Q and hitting a three-year low. CSFB upgraded shares to Outperform from Underperform on 4/13 with a \$67 target seeing the pure-play franchised business as an attractive model and sees limited risk of mass closures. It also notes it may benefit from incremental digital sales after the outbreak due to its investments and sees its value perception attractive in a recessionary environment. Cleveland Research also out saying US sales trends have likely bottomed out at -30% to -40% the last few weeks. RW Baird has a \$67 target and Outperform rating seeing risk/reward attractive seeing structural improvements in the business supporting a rebound in sales momentum into 2H20 and 2021. BTIG on 3/18 noted the company is flush with cash and its business model will allow it to weather the storm better than other operators seeing it well capitalized for twelve months out. Hedge Fund ownership rose 5.4% in Q4 filings, no notable top holders.

### Hawk Vision:



**Hawk's Perspective:** DNKN looks good against the \$48 level as it starts a new uptrend, a favored name in a tough QSR space with its strong business model.

**Confidence Ranking:** \$\$