



Yum Bulls See Continued Recovery as Industry Focus Shifts to Off-Premise

Ticker/Price: YUM \$90

Analysis:

Yum Brands (YUM) with a buyer of 1,100 January \$97.50 calls for \$5.80 in a stock replacement and follows buyers in the January \$105 calls on 5/20. YUM has some January \$87.50 calls from and July \$95 calls in OI as well from buyers recently although both up a little since the initial buys. Shares are coiled in a bull flag under \$90 and a low-volume gap with room up to the 200-EMA at \$98. YUM has rebounded well since the March lows and supported by the rising 8-EMA recently. The \$27.58B company trades 24.2X earnings and 5X sales with a 2.07% yield and around \$4/share in cash on the balance sheet. YUM is positioned well in the current fast-food environment given their existing infrastructure and emphasis on to-go, delivery and drive-through. YUM has also made more menu changes in the last year to expand value options. They noted in late April that comps were down 7% but momentum accelerated into late-month and Taco Bell actually posting positive comps Y/Y. Earlier this week, it was reported the company will roll out a new chicken sandwich at KFC to better compete with Chick-Fil-A and Popeyes which saw big share gains last Summer. Analysts have an average target for shares of \$100. Stifel upgrading to Buy on 5-14 noting that fast food names with durable models likely to outperform in the space for the time being as sit-down restaurants continue to have concerns. Wells Fargo with a \$94 PT, an outsized share gainer during COVID-19 and uniquely positioned to worth with franchisees to shore up liquidity positions and take advantage of competitor closures. Short interest is 1.6% and near 10-year lows. Hedge fund ownership was flat in Q1. Melvin Capital a buyer of a new 900,000 share stake. YUM last saw notable insider buying in February 2019 at \$94.23 when a director bought \$250,000 in stock.

Hawk Vision:



Hawk's Perspective: YUM is one of the better names in the challenged restaurant space to focus on and like their focus on delivery/off-premise as well as franchisee mix as it allows them to be more flexible given the un-even pace of re-openings. Alert set for a move out of this range.

Confidence Ranking: \$\$