



## Large Bullish Trade in Dine-Equity with Potential Catalyst

Ticker/Price: DIN (\$47.85)

### Analysis:

**Dine Equity (DIN)** spread buys 1200 September \$50 calls for \$8.20 and sells 1200 of the December \$40 puts for \$7.60 in a cross-month bull risk reversal to open on 6/1, a name that has seen 1500 December \$70 calls bought to open as well as a number of other small September and December call buys. The \$800M restaurant owner has brands like Applebee's and IHOP. In April Reuters reported that JCP Partners asked the company to spin-off its IHOP business. The President of Applebee's bought 1500 shares at \$36.26 on 3-12. DIN shares currently trades 10.15X Earnings, 9X FCF and 2.3X Cash. DIN is also searching for a new CEO. DIN noted on its last earnings call how it was positioned well to quickly transition to to-go and delivery-only model with off-premise sales growing 71% from March 1<sup>st</sup> to April 26<sup>th</sup>. It launched several digital initiatives across both brands, including building new and enhanced ordering capabilities to make it easier for guests to order and to support the expansion of the catering business. DIN operates with a solid cash position, minimal CapEx requirements and asset-light business model. It has a debt-service ratio of 3.93X. DIN has 3,628 total restaurants and is 98% franchised model with industry leading margins and plans to expand its International presence. DIN also has favorable demographics with a majority of guests below the age of 34. It has been investing heavily in technology the last three years including an enhanced website and server tablets. Analysts have an average target of \$64 and short interest elevated at 13.4% of the float. Wedbush raised its target to \$60 on 4/30 after results and sees valuation attractive. Hedge Fund ownership fell 2.57% in Q1 filings.

### Hawk Vision:



**Hawk's Perspective:** DIN was worth looking into and now understand it better, an attractive play in a tough industry with potential event upside.

**Confidence Ranking:** \$\$