



## FEATURED OPTIONS RADAR REPORT



### Papa John's Bulls Bet on Move Back to Highs

Ticker/Price: PZZA (\$93.6)

#### Analysis:

**Papa John's (PZZA)** IV rose late with buyers of 1800 September \$90 ITM calls \$7.20 to \$7.50 and becomes the only real notable positions in open interest. PZZA shares have been on a strong run since March as a business seeing less impact as delivery/take-out is preferred for its products. PZZA broke out of a long range in June and pulling back this week to a 38.2% retracement of the run since March while a 50% retrace and 55 MA sits lower near \$90. PZZA's CEO was recently on Mad Money touting its turnaround and on 7/27 reports it was looking to hire 10,000 more people, a good sign of demand. The \$3B company is trading 42.5X Earnings and 1.8X Sales with a 0.96% yield. PZZA forecasts see 11% revenue growth this year and 21.9% EPS growth. The Pizza industry did \$100B in global sales in 2018 and a highly fragmented market with room for PZZA to take share and also leverage its digital capabilities. Starboard invested in PZZA to support growth and margin expansion. Analysts have an average target of \$103 and short interest down to 14% of the float at a multi-year low. CSFB named it a new Top Pick in early July as an underappreciated multi-year comp story with strong unit development leading to powerful upside earnings potential. It says new CEO Rob Lynch will leverage his experience to improve franchisee relationships and profitability, enhance the marketing strategy, increase the pipeline of new menu innovation and leverage data analytics to drive decisions. CL King raised its target to \$110 last week noting scarcity value in the restaurant industry of names strengthening in the current environment. BTIG upped its target to \$115 saying to set aside valuation concerns and focus on the fundamentally improving business model. Hedge Fund ownership fell nearly 7% in Q1 filings, Jackson Square a top holder.

#### Hawk Vision:



**Hawk's Perspective:** PZZA makes a lot of sense to emerge a winner with a lot of smaller shops shutting down, and think the story has plenty of room to run at just a \$3B market cap.

**Confidence Ranking:** \$\$