



FEATURED OPTIONS RADAR REPORT



Calls Accumulate in Small Cap Welbilt

Ticker/Price: WBT (\$9.40)

Analysis:

Welbilt (WBT) smaller trade earlier with 1,500 September \$12.50 calls bought for \$1.60 to open but name where bullish open interest has built up recently including 8000 June \$10/\$15 call spreads, 6000 March \$7.50/\$15 call spreads, and over 9,800 March \$10 calls. Shares have a similar look to many re-opening plays after gapping out of a multi-month base last week and now working higher through a big low-volume gap from February which targets \$15. The \$1.25B company trades 20X FY22 earnings and 1X sales and limited short interest of 5%, down from around 11% in 2019. WBT is a provider of commercial-grade foodservice equipment including refrigerators, blast freezers, and ovens. Their business has been obviously impacted by COVID as many restaurant operators delayed purchases in the Spring but starting to see many look out to mid-2021 and a more normalized environment. WBT is launching new products like their combi-oven in Europe and a big digital platform solution for kitchens as they expect to take advantage of a big refresh cycle in 2021. The company noted in October they anticipate a big order push in the next several quarters as many QSR operators have publicly said they are looking at new builds to win share from casual dining which remains closed or under-capacity. Analysts have an average target for shares of \$10.25 and Barclays a Street High \$20. CL King starting coverage at Buy in July citing their broad lineup, industry-leading brands, and long-term relationships with leading foodservice customers which will allow them to navigate the COVID crisis better than others. Hedge fund ownership rose 3% in Q3, Turtle Creek Asset Management a buyer of 6.3M shares in a new position. Carl Icahn also a holder of stock. WBT with a lot of insider buying as well in 2020 including a \$200,000 buy from the CFO in March. The largest buy in the last two years was from the CEO in 2018 when he bought \$400,000 in stock at \$13.30.

Hawk Vision:



Hawk's Perspective: WBT is an intriguing recovery story with plenty of room to run, and the constant activity leads me to believe there could be more to this story.

Confidence Ranking: \$\$