



FEATURED OPTIONS RADAR REPORT



Bullish ITM Call Buys Target Best-in-Class Operator in Casual Dining

Ticker/Price: DRI (\$155.60)

Darden (DRI) with 1470 January \$150 calls bought to open on 11/9 for more than \$1.6M and lacks much other notable open interest. DRI shares recently based on its rising 200-day moving average and jumped last week with the reopening plays working out of its pullback trend and above all key moving averages and the major volume zone of \$135/\$150 that measures to a \$165 target. DRI's weekly pattern is very squeezed as well as it looks to push higher and weekly RSI held the key 50 level while MACD looks to cross bullish. Darden owns and operates 1,834 restaurants through Olive Garden®, LongHorn Steakhouse®, Cheddar's Scratch Kitchen®, Yard House®, The Capital Grille®, Seasons 52®, Bahama Breeze® and Eddie V's Prime Seafood® trademarks. DRI has a market cap of \$18.8B and trades 18.1X Earnings, 12X EBITDA, 2.35X Sales and 35.9X FCF with a 1.73% yield and has long been considered a top operator in its space with strong unit economics. Forecasts are looking for 32.7% revenue growth in 2022 off easy 2021 comps and 53.5% EBITDA growth. The company is also investing in their own restaurants including new menus and revamped portion sizes, and better tech in their To Go business to help the customer experience overall. DRI is executing on its post-COVID margin expansion opportunity, improving its value proposition pricing below industry inflation and sees room for accelerated unit growth to gain market share versus independent closures. DRI has \$1B in cash and leverage is running below historic norms so it could look to M&A. Analysts have an average target of \$175 with short interest at 3.5% of the float rising 56% Q/Q. DRI will next report on 12-17. Stephens raised its target to \$180 in September seeing Darden positioned to take share for years to come and also execute on operational improvements. UBS raised its target to \$178 and KeyBanc to \$180 with ongoing SSS momentum and strong profitability while navigating labor/inflation pressures well.

Hawk Vision:



Hawk's Perspective: DRI sets up nicely and think it can move up to \$170 by year-end, though a retrace move to fill the gap would be healthy/ideal near-term.

Confidence Ranking: \$\$