



FEATURED OPTIONS RADAR REPORT



Darden Bulls See New Highs as Indoor Dining Set to Resume

Ticker/Price: DRI (\$146)

Analysis:

Darden Restaurants (DRI) buyers of 9,350 July \$155 calls for \$6.40 where 6,500 bought late Friday and later the July \$160 calls also with buyers 550X for \$4.90. DRI has seen buyers in the October \$140 and \$155 calls this month. Shares are forming a narrow flag under recent highs at \$150 with a breakout targeting \$165 and continuation of the strong trend. The rising 8-, 21- and 50-MA are coiled tightly just below the current range. The \$18.7B company trades 20.8X earnings, 3X sales, and 18.85X cash with a 1% yield. DRI expects a bounce-back year in FY22 and then 7.5% to 8% growth in FY23 as they expect to see historic levels of demand for dining out. DRI has spent much of the past twelve months focusing on operational improvements including its cost structure, pulling forward some big investments in tech like online ordering, and reshaping their menu to put them in a better position for 2021 and beyond. DRI said in March they added a significant number of new customers through the last year via online ordering and delivery and expect to see retention there in 2021. They also continue to see room for improvement on the outlook as indoor dining is restricted at 50% capacity in most states and California remains at 25%, both likely to loosen in to the 2H of the year. Analysts have an average target for shares of \$140 with a Street High \$175. JP Morgan raising estimates on 4/12 citing earnings normalization trends and demand growth. Loop Capital positive on 3/29 noting that casual dining is in a strong position coming out of COVID and Texas market checks continue to suggest a very strong demand environment amid reduced supply. Short interest is 1.4% and lowest level since 2007. Hedge fund ownership rose 6.5% in Q4, D1 Capital a buyer of 1.15M shares.

Hawk Vision:



Hawk's Perspective: DRI is an easy one to manage with that confluence of moving averages just below and breakout potential above \$148. Fundamentally, one of the better names in casual dining and like their new look post-COVID with a healthy mix of on-premise and off-premise dining

Confidence Ranking: \$\$