Domino's Pizza Large Call Buy into Earnings Dip

Ticker/Price: DPZ ($415)

Analysis:

Domino's Pizza (DPZ) into morning lows after reporting results on 4/29 with a large buyer of 3000 June $400 calls $12 to $13.20 and shares rallied throughout the day to put in a strong candle. DPZ has very little notable open interest of value currently. DPZ has been a long-time winner and shares now working back to near 2020 highs, the first Fibonacci extension target is up at $480. DPZ beat estimates for EPS with Revenues in-line, US same store sales growth of 6.3% and International at 11.8% growth. The $15.7B quick-service company trades 27.3X Earnings, 3.8X Sales and 41.1X FCF with a 0.93% dividend yield. DPZ forecasts see revenues growing 4.2% in 2021 versus tough 2020 comps and then returning to 7%+ annual growth with EPS growth also seen accelerating the next few years. DPZ was a big winner during the pandemic due to its delivery/takeout model and benefitted from its strong digital investments. On the call DPZ discussed opportunities for share gains via fortressing and says it is under-penetrated in the carryout business. DPZ profitability was a highlight as it capitalizes on more efficient marketing and digital transformation efforts. Analysts have an average target of $415 and short interest at 7% of the float jumped 98% Q/Q. JPM raised its target to $420 on 4/12. Citi started at Buy on 3/30 with a $435 target seeing undemanding valuation for a leader and sees the higher margin carryout business recovering and also positive on reinvigorated marketing efforts. Wedbush has a $475 target seeing DPZ as best-positioned to benefit from accelerated share gains post-COVID. Hedge Fund ownership fell 4% in the latest quarter filings, no notable concentrated holders.

Hawk Vision:

Hawk's Perspective: DPZ never disappoints and remains a leader, the live Trading Hub signal was a great one before this reversal candle and worth monitoring these calls holding.

Confidence Ranking: $$