



FEATURED OPTIONS RADAR REPORT



Call Buyers Target Keurig Dr. Pepper Rebound into Earnings, Office Reopenings

Ticker/Price: KDP (\$35.20)

Analysis:

Keurig Dr. Pepper (KDP) size buyer early of 9,000 October \$36 calls for \$1.30 to \$1.35 with a small gap above at \$35.50. **KDP** also had buyers active late for more than 9000 August \$37 calls up to \$0.60. **KDP** has not seen a lot of notable activity since April when over 8000 July \$37 calls were bought to open but insiders very active lately with a director buying \$650,000 in stock in May at \$36.20. He also bought stock in May. **KDP** has been a steady winner in 2021 and pulling back to channel support from the November lows recently. Shares are forming a nice base and move above \$35.5 into a gap from earnings has room back to \$37 and then new highs. The \$50B company trades 20X earnings, 4.2X sales, and 36.8X FCF with a 2% yield. **KDP** continues to gain market share across cold beverages with broad-based strength in CSDs, premium unflavored water, Snapple teas and fruit drinks. They launched a zero-sugar CSD line last quarter which is gaining share as well as new plant-based Bai Boost bottles. They see drivers into the 2H from further growth in K-cup pods through ecommerce channels and a return to the office which should boost pod sales overall, especially after Labor Day. Analysts have an average target for shares of \$37 with a Street High \$42. Wells Fargo upgrading to Overweight in June citing outperformance in carbonated beverages which they think has been underappreciated and misunderstood. The analyst expects Keurig Dr Pepper's momentum to sustain with structural portfolio advantages. Further, they see a positive macro-overlay which disproportionately benefits domestic-focused Keurig Dr Pepper versus multi-national peers. Short interest is 2.75%. Hedge fund ownership 1.5%.

Hawk Vision:



Hawk's Perspective: **KDP** is one of my favorite plays within the beverage space given their breadth of their offerings and think it's a smart catalyst play on office reopenings into the Fall

Confidence Ranking: \$\$