



FEATURED OPTIONS RADAR REPORT



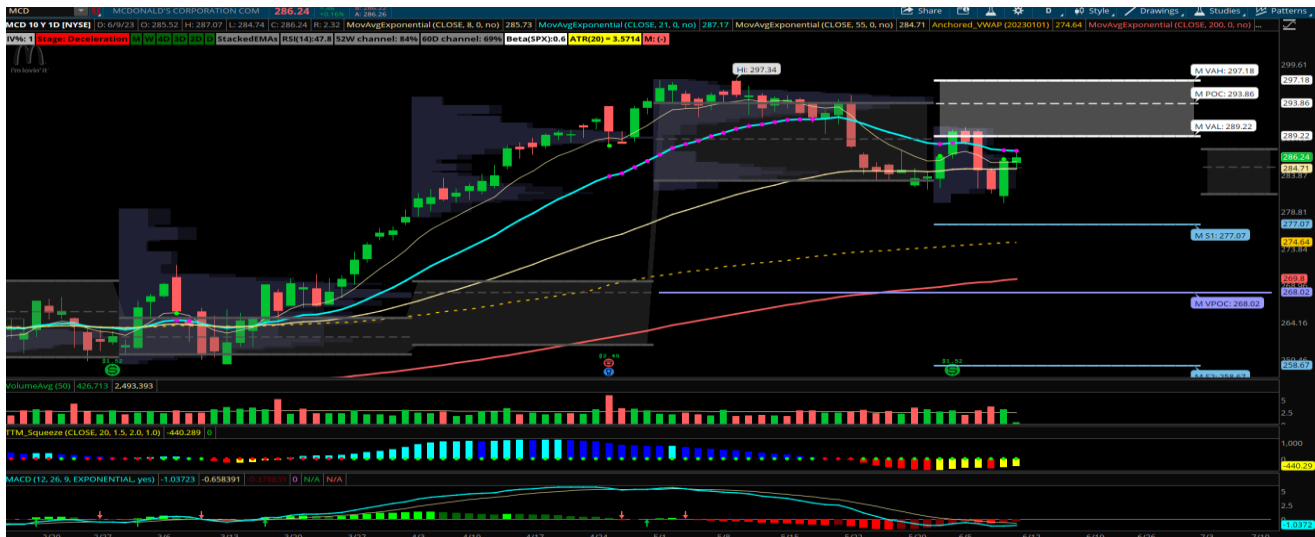
Deep ITM Call Buyer Sees Upside in Fast Food Giant into Pullback

Ticker/Price: MCD (\$286.25)

Analysis:

McDonald's (MCD) on 6/8 saw a large in the money call buyer for 240 January \$265 calls at \$32.40 for nearly \$800K bought. MCD also still has January \$275 and \$250 short puts in OI from sellers earlier this year combining for over \$2.6M in put premium showing confidence at current levels. MCD also has 1000 Jan \$260 calls in OI from buyers last year at \$27.40 while the June 2024 \$325 calls sold to open on 4/17 for \$11.80 showing a potential ceiling at 325 this year if it got there would be a nice target. The \$209B company trades at 24.8 earnings, 9.4x sales, FCF yield of 3.7%, with a 2.2% dividend yield while revenue expected to grow +8% in FY23 and growth estimated at +7% in FY24. MCD just had a strong quarter beating EPS estimates and revenues while also reporting strong comps and seeing strong consumer demand despite a challenging operating environment. Also, China had been a weak spot following the COVID closures, but MCD saw a steady recovery with China posting positive comps in Q1. What really stood out were MCD's Q1 global same store comps. At +12.6%, this was the fifth quarter in a row where comps were better than analyst expectations and really impressive considering that MCD was lapping strong +11.8% comps a year ago. Shares have been pulling back to its rising 55 day EMA support and this week formed a bull candle off that 280 level where the prior breakout nearly got retested. MCD made a strong advance higher from March into May rallying nearly to 300 before correcting and now setting up a more favorable entry point with stronger support even at 275 being YTD VWAP and top of 2022 yearly value. Average analyst target is \$320. Loop Capital last month out saying that the firm's latest round of franchisee checks indicates same-store sales growth is tracking ahead of expectations in the current quarter as "Better Burger" continues to reach additional locations. Loop raised its target to \$346 from \$328 and keeps a Buy rating. BMO upped its target to \$325 from \$300 and said McDonald's should be able to sustain strong momentum and continue gaining share, particularly in a softer consumer environment. Truist boosted its target to \$327 while Guggenheim boosted to \$325 from \$305 and raises its target multiple arguing MCD has a clear path to its best EPS upside in recent years. Short interest is at 0.9%. Hedge fund ownership rose 5%.

Hawk Vision:



Hawk's Perspective: MCD is a solid risk reward here back near 280 for a move back towards 300 and beyond as EPS improves and inflation subsides. Playing January 300 calls likely a cheap way to participate higher.

Confidence Ranking: \$\$