



## McDonald's Put Seller Sees Recent Low Holding Strong

Ticker/Price: MCD (\$201)

### Analysis:

**McDonalds (MCD)** with 10,000 February \$190 puts sold to open this morning down to \$1.29 and still has 1600 June \$200 calls in OI from buyers in the Fall while the Jan. 2021 \$170 calls bought for more than \$1.5M in November. MCD has also seen insiders active into weakness with more than \$1.2M in stock bought cumulatively since 11-6 by four different individuals. Shares rallied hard for the first eight months of 2019 up to \$220 and pulled back to the 61.8% retracement in the Fall where it has based. MCD is emerging out of this range now with a low-volume gap back to \$207.50 and September VPOC at \$215 in focus. The \$151B company trades 23.6X earnings and 7X sales with a 2.5% yield. MCD is guiding to high-single digit EPS growth and 2-3% sales growth through FY21 as they execute on their 'Experience of the Future' rollout which will be expanded to another 2,000 restaurants in 2020. MCD is facing a new year with a new CEO after Greg Easterbrook stepped down and longtime US head Chris Kemczinski was promoted. He held an analyst meeting in December and noted that he expects a more aggressive MCD with a focus on breakfast in 2020 (likely new products and a focus on speed) as well as expanding their loyalty program, digital programs (mobile ordering and payments) value menus, and unit growth. Short interest is less than 1%. Hedge fund ownership fell 17% in Q3. Analysts have an average target for shares of \$225. Stephens checks positive on 1-6 noting that increased breakfast value marketing and deals helped to improve domestic same-store sales growth in December. They think MCD could enter 2020 with flat-to-positive traffic and better sales momentum than current Q1 same-store sales growth estimate of 3% implies. RBC starting at Outperform on 12-9 with a \$218 PT. They think 2020 is a big inflection year after its "substantial" investments materialize into continued top-line momentum, leading to accelerated earnings and free cash flows next year and beyond.

### Hawk Vision:



**Hawk's Perspective:** MCD bottomed exactly at the expected 50% retracement and rest level and now working back higher while the story remains strong. Put sales are not a signal to buy calls however and these low Delta, far OTM only tell us \$190 support is likely to hold.

Confidence Ranking: \$\$