



## RBI Calls Add into Weakness

**Ticker/Price:** QSR \$52.25

### Analysis:

**Restaurant Brands (QSR)** with 2,000 February \$50 and \$55 calls bought to open this morning paying \$3.75 and \$1.60 respectively. QSR recently had 5,000 Jan. 2020 \$55 calls bought as well as the Jan. 2020 \$60/\$45 bull risk reversal 1,500X on 12/21. The April \$55 calls have accumulated over 25,000X. Shares have traded weak over the last quarter, down 12.5%, and testing new 1-year lows. A move above the 20-day MA at \$52.50/\$53 is key to a short-term move higher with \$56 and then \$58 volume targets above. Shares are holding the weekly 200-EMA around \$50 and longer-term channel targets \$62.50 after a strong move from the 2016 lows. The \$12.9B company trades 17.2X earnings and 2.5X sales with a 3.5% yield. The company expects 5.4% EPS growth in 2019 and 9.7% in 2020, up from 3% growth last year. QSR expects 4.5% to 5% growth in sales as they track towards \$6B annually and integrate their recent deal for Popeyes which gives them some big expansion opportunities. QSR has seen relative strength in traffic and comps across all of their brands (BK, TH, and Popeyes). Analysts have an average target for shares of \$69 with 11 buy ratings and 3 hold ratings. Cowen naming shares their Top Idea for 2019 behind a turnaround at Tim Hortons. UBS has a \$74 PT for shares citing FCF yield, unit expansion, and strategic optionality including potential M&A. Institutional ownership fell 7.5% last quarter. Melvin Capital, Eminence, and Maplelane all top buyers last quarter. Short interest is 4.3% and up from around 2.5% in March. In June, a Director bought \$340K in stock at \$60.

### Hawk Vision:



**Trading Strategy:** QSR has a lot of levers for growth and the Popeyes International opportunity remains robust. There are some concerns with wage growth and other costs for the quarter but a nice reward/risk here for upside.

**Confidence Ranking:** \$\$