



FEATURED OPTIONS RADAR REPORT



Large Call Accumulation in Consumer-Sensitive Food & Beverage Digital Leader

Ticker/Price: SBUX (\$84.78)

Analysis:

Starbucks (SBUX) will report result son 8/2 and shares have closed lower the last six reports with an average max move of 5.05% but has seen a lot of bullish options positioning into the upcoming report, an implied move of 4.5% and historical put/call open interest ratio at the 0th percentile. SBUX last week with 11,000 September \$87.50 calls bought as well as 2000 September \$82.50 calls and the week prior a large adjustment opened 100,000 December \$92.50 calls while 5000 October \$87.50 calls bought on 7/21 as well for \$1.8M. SBUX has been in the news lately aiming to close more stores due to increased crime and drug use while also speculation it could exit the UK. SBUX broke out of a long base at the \$81 level and measures to the 200-day moving average near \$92.70 as a target, weekly MACD firmly bullish and RSI crossed over 50 last week while \$90 is a 38.2% retracement target. SBUX is undergoing a transition after their CEO stepped down and founder Howard Schultz returned amid a flurry of near-term headwinds including higher wage costs and supply chain issues. Schultz is expected to make some bold moves to help reignite the brand and recently stopped their buyback plan to reinvest in the company and their people. SBUX could look at options like expanding into selling food and wine in the evening hours to drive traffic at night, café remodels, new menu items and advancements in tech, an area where they have historically been very strong. Schultz may also look at changing where they open new locations as the pandemic has changed the work/home balance. SBUX now trades with a market cap of \$97B and at 24.85X Earnings, 3.1X Sales and 69X FCF with a 2.3% yield. Schultz bought 210,000 shares of stock in May at an average price near \$70. Forecasts see revenues rising 10% in 2022/2023 with EPS down Y/Y in 2022 before returning to strong 15-20% growth annually the next three years. SBUX will host an Investor Day on September 13th as a likely catalyst outside of earnings. Analysts have an average target of \$94 with short interest low at 1.3% of the float. Citi sees US comps upside and potential acceleration ahead. MSCO sees some risk to forward estimates on a weakening consumer. The Street expects 8.8% comps and field checks overall positive this quarter. SBUX will likely name a new CEO this Fall and expects it to be an external candidate.

Hawk Vision:



Hawk's Perspective: SBUX sets up for a potential muted earnings response with larger catalysts on the horizon, I like positioning August 26th (W) / September \$90 calendar call spreads for \$0.90.

Confidence Ranking: \$\$