

# McDonalds Consolidating Amid Multi-Year Renovation Cycle



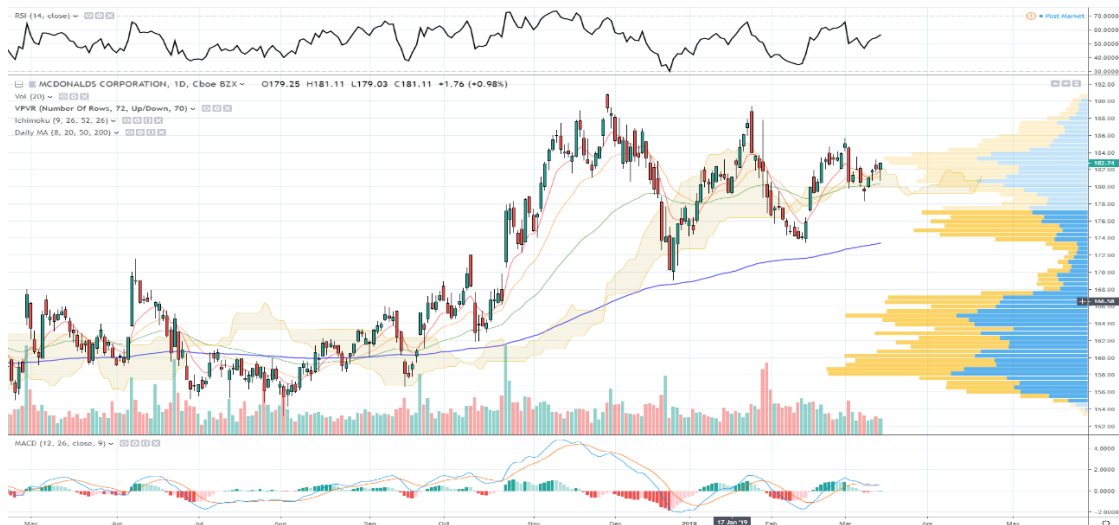
Date: 3/14/19

McDonalds (MCD) shares are consolidating under \$185 and downtrend resistance from the November highs. A breakout and move above the December VPOC at \$185 will re-test the recent highs at \$190 and has a long-term measured move to \$210. RSI is back above 50 and MACD is crossing over bullish, so ready to run. Shares are above cloud support as well as their short-term moving average cluster of the 8-, 13-, and 20-day.

MCD has seen a number of bullish trades which remain in OI including 14,000 April 5<sup>th</sup> (W) \$190/\$195 call spreads, buyers in the May \$180 and \$185 calls, the April \$185 calls, and the June \$200 calls. The January \$175 calls bought 1,000X in December as well for \$1.4M.

Date	Description	Volume	Open.Int	Price	%Change	Delta	Impl Vol	Prob.ITM	Premium Paid
3/7/2019	MCD 100 17 MAY 19 180 PUT	1,247	414	\$4.65	3.33%	-0.43	16.95%	46.69%	\$585,620
3/7/2019	MCD 100 17 MAY 19 175 PUT	1,280	911	\$3.01	3.79%	-0.31	18.12%	33.62%	\$387,960
3/4/2019	MCD 100 (Weeklys) 5 APR 19 190 CALL	14,739	80	\$0.87	-17.14%	0.18	16.31%	16.48%	\$1,267,554
3/4/2019	MCD 100 17 MAY 19 180 CALL	1,536	396	\$7.50	-17.58%	0.55	19.95%	51.67%	\$1,152,000
3/4/2019	MCD 100 18 APR 19 185 CALL	1,962	2,387	\$2.95	-28.05%	0.39	16.66%	37.01%	\$572,904
3/4/2019	MCD 100 17 MAY 19 185 CALL	1,093	1,160	\$5.00	-17.63%	0.45	18.71%	41.55%	\$546,500
3/4/2019	MCD 100 (Weeklys) 5 APR 19 195 CALL	17,097	1	\$0.26	-7.14%	0.07	17.06%	6.04%	\$512,910
2/27/2019	MCD 100 18 APR 19 195 CALL	6,158	1,227	\$0.58	-4.92%	0.12	13.84%	11.06%	\$375,638
2/22/2019	MCD 100 (Weeklys) 5 APR 19 180 PUT	641	2	\$2.75	-6.14%	-1	--	100.00%	\$176,275
2/19/2019	MCD 100 17 MAY 19 185 CALL	775	7	\$4.15	18.57%	0.4	17.16%	36.71%	\$321,625
2/15/2019	MCD 100 15 MAR 19 180 CALL	1,402	3,149	\$2.07	75.42%	0.42	13.67%	41.05%	\$290,214
2/14/2019	MCD 100 15 MAR 19 175 CALL	1,072	1,091	\$3.48	54.67%	0.55	13.98%	53.82%	\$359,120
1/9/2019	MCD 100 21 JUN 19 200 CALL	1,423	1,481	\$2.53	-8.99%	0.21	18.39%	17.99%	\$372,826
12/26/2018	MCD 100 17 JAN 20 175 CALL	1,000	434	\$14.00	0.36%	0.52	23.04%	43.61%	\$1,400,000

The \$140.65B company trades 20.7X earnings, 6.7X sales, and 145X FCF with a 2.5% yield. MCD expects 5% and 8% EPS growth over the next two years with sales growth returning positive in 2020. Margins have been steadily improving since 2016. MCD has been seeing better global comps, up 4.4% last quarter, while domestically up 2.3%. The company's made revamping their menu a priority in recent years and average check growth was strong in 2018 amid better prices and mix. They see FCF accelerating in 2020 after years of renovating stores.



Analysts have an average target for shares of \$194 with 22 buy ratings and 5 hold ratings. Piper positive on 3/1 seeing the company positioned to deliver relatively stronger execution as the record levels of change and complexity experienced during 2018's U.S. remodel conversion efforts are lapped. Stephens upgrading to Overweight on 2/19 with a \$200 PT. Improvements to the company's breakfast menu and expected increased menu innovation are upside drivers while shares also carry a defensive premium.

Short interest is 0.8%, the lowest since 2010. Institutional ownership rose 2.2%.

**Trade to Consider:** Long the **MCD** May \$185 Calls for \$4.50 or Better