



FEATURED OPTIONS RADAR REPORT



Large Call Buyer Eyes Return to New Highs for QSR Investing in Digital Edge

Ticker/Price: YUM (\$119.50)

Analysis:

Yum Brands (YUM) buyer of 3,000 July \$125 calls for \$5.95 today, follows 1,000 January 2023 \$105 puts sold to open for \$5.90 earlier this week. YUM has little other notable open interest. Shares have been on a big run since the March 2020 lows and pulling back this week to the 55-week MA for the first time since October 2020. YUM is also back near a big volume node from mid-2021 and looking to reclaim the 200-MA at \$125. The \$35B company trades 24.3X earnings, 5.45X sales, and 36.6X FCF with a 1.65% yield. YUM operates and franchises quick-service restaurants in the US and internationally under the KFC, Pizza Hut, Taco Bell and Habit Burger brands. The company has benefited from the changes in dining habits during the pandemic which boosted sales on their digital platforms as well as in their drive-thru and delivery channels. YUM posted 40% digital mix in Q3 despite dining rooms reopening throughout most of the US and recently acquired Dragontail Systems, a software platform that utilizes AI to streamline the food prep and delivery process. YUM sees opportunity in 2022 from not only expanding digital capabilities but also in international growth with India a standout late in 2021 as they opened 60 new locations. Analysts have an average target for shares of \$136 with a Street High \$151. BAML Neutral on the name recently noting that they are executing well, but tough comps ahead following a spike in home consumption during the early pandemic and its more mature China business could impact Yum! Brands unit growth. Barclays positive in December seeing more tailwinds than headwinds in 2022 for restaurants as pandemic concerns are easing with no lasting impact on sales, labor shortages are easing, food inflation is plateauing and labor inflation should resume normalized increases post the wage reset in 2021. Short interest is 1.7%. Hedge fund ownership rose 2% last quarter. Earnings are 2-9, shares higher the last three.

Hawk Vision:



Hawk's Perspective: YUM is making some interesting moves lately bolstering their tech offerings and leaning hard into the digital mix which should help them long-term sustain omnichannel growth and feels positioned well for a mid-year move as labor/wage headwinds abate

Confidence Ranking: \$\$