



FEATURED OPTIONS RADAR REPORT



Yum Calls Hot into Weekly Breakout Move

Ticker/Price: YUM (\$115)

Analysis:

Yum Brands (YUM) with buyers early today for more than 2,000 October \$115 calls from \$6.15 to \$6.50 and volume up over 2,850 this afternoon at \$7. YUM has some buy-write strategies in the January \$110 and \$115 calls but nothing else of note in open interest. Shares are breaking out strong today on volume of a bull flag and narrow 15-week range with long-term upside to \$125. The \$32.7B company trades 24.33X earnings, 5.8X sales, and 44.8X cash with a 1.8% yield. YUM is guiding to high-single digit growth in both FY22 and FY23 with EPS growing in the mid-teens. The company is coming off a strong quarter with the majority of their franchisees in strong shape and positive tailwinds into the 1H of the year from reopening plans. YUM pivoted into more digital strategies early in the pandemic and benefited all year from higher drive-thru and delivery orders as well with partnerships from DoorDash helping boost KFC in the US. They also continue to see some margin expansion as they benefit from better labor costs. YUM is investing in some interesting verticals as well including a partnership with Beyond Meat (BYND), their deal for TikTuk in late March, and an acquisition of Kvantum in early March, a consumer insights business which will help all of their restaurants make better decisions on menu changes and marketing. Analysts have an average target for shares of \$105 with a Street High \$125. Atlantic started coverage at Neutral today with a \$118 PT and thinks the company has navigated the last year well. Wells Fargo upgraded to Overweight in December citing strong consumer spending backdrop in 2021 and casual dining is poised to benefit most of all. Short interest is 1.5%. Hedge fund ownership fell 6.5% in Q4, Magellan and Soroban both notable buyers of stock.

Hawk Vision:



Hawk's Perspective: YUM has run too much today to chase but the weekly pattern with the cup-and-handle break has plenty of room for continuation higher and with the longer timeline, one to let setup again before getting involved

Confidence Ranking: \$\$