



## Unusual Call Buying in New Crop Protection and Seed Leader Corteva

**Ticker/Price:** CTVA (\$29.90)

### Analysis:

**Corteva (CTVA)** unusual action right off the open with buyers in December \$27 ITM calls aggressively at \$4.20 offer and trading up over 1,130X on the day now to \$4.39. CTVA shares are retesting the early August breakout and 21 day MA and remain in a nice uptrend since the debut after being a spin-off from Dow-DuPont. The \$22.8B Company is focused on Ag Products and trades 19.75X Earnings and 11.3X EV/EBITDA. Corteva is a pure-play agricultural company with two businesses. Roughly 55% of revenues are generated by seeds and the remainder come from crop protection products. The seed business is a high-tech one and Corteva spends 11% of its sales on research and development, surpassing all competitors. Their patented seeds make crops resistant to damaging insects and significantly improve yields. Corteva is a top global player with a best-in-class genetics platform that is widely regarded as being impossible to replicate, for all practical purposes. Corteva is a leader in an on-going agricultural technological evolution. Their products continue to gain market-share. Management is committed to a strong capital allocation discipline with targeted returns-on-invested capital in the 15-18% range versus cost-of-capital of about 8%. They will use their scale to generate a best-in-class cost structure and continue to emphasize new product launches to grow faster than the overall market. CTVA will be providing an Investor Update on 8-15. Analysts have an average target near \$33 for shares, RBC upgrading last Friday to Outperform with a \$38 target following results seeing better times ahead after a year of negative weather and sees deal synergies and new product growth. Deutsche Bank upped its target to \$35 noting "Management provided a positive 2020 outlook on "substantial" cost synergies and productivity benefits, more normalized market conditions in North America, increased U.S. planted corn acres and a robust pipeline of new product launches."

### Hawk Vision:



**Hawk's Perspective:** CTVA is a new intriguing way to play some strong themes and looks to be the leader in Ag Products with **FMC**. We have a near-term catalyst and think it's the kind of company to build a position.

**Confidence Ranking:** \$\$