



DuPont Bulls Position for Further Event-Driven Portfolio Moves

Ticker/Price: DD (\$67.58)

Analysis:

DuPont (DD) on 10/28 with a trade opening 2500 April 2020 \$70/\$62.5 bull risk reversals at a \$0.95 to \$1 debit and follows action on 10/24 with the November \$69.50 calls bought for 5000 contracts and January \$70 calls adding 1200X. The December \$67.5 calls have 4,815 in open interest from buys on 8/14 and 9/17. It does also have 2000 each of the December \$67.5 and \$60 puts in open interest from purchases. DD will report on 10/31 before the open and shares with a strong history closing higher six of its last eight reports with no closes lower of more than 0.75%. On 8/6 it was reported the company was weighing a sale of its nutrition and biosciences unit that is said to be worth at least \$20B and Bloomberg reporting Royal DSM could look at acquiring for \$25B. DD shares have put in a nice weekly base above the \$64 level and a weekly bullish RSI divergence been developing all of 2019 that can play out for a move back to resistance at \$75. The \$50.4B Company trades 15.65X Earnings, 11.6X EV/EBITDA and yields a 1.78% dividend. DD is forecasting 6.5% EBITDA growth in FY20 with 13.7% EPS growth. DD is creating a pure-play agricultural with 30% crop protection and 70% seeds. DD is targeting mid-to-high teens ROIC. Analysts have an average target just above \$80 and short interest low and declining at 0.8% of the float. Citi out in September with an \$82 target seeing management relentless on driving shareholder value through portfolio moves. Jefferies initiated shares Buy with an \$85 target on 9/10 citing better operating discipline making shares more resilient to macroeconomic softness seeing robust FCF driving 4.1% annual sales growth and 12% annual EPS growth for years to come. MSCO has an \$85 target as well and sees chemical consolidation becoming a theme with Celanese (CE) a potential target for DuPont. Hedge Fund ownership declines 20.7% in Q2 filings, though Edgepoint with a new 3.64% weighted stake and Maverick Capital added to its large position.

Hawk Vision:



Hawk's Perspective: DD looks attractive and think we could get some news with this next earnings report to continue to drive value higher, a good looking set-up into the report.

Confidence Ranking: \$\$