



Air Products Call Buyer Ahead of Upcoming Earnings

Ticker/Price: APD (\$217)

Analysis:

Air Products (APD) buyer 1500 November \$220 calls to open \$3.30 offer, earnings 11-7, and been a quiet name for flows but does have 1000 December \$230 calls in open interest. APD shares were a top performer in the first half of 2019 and since have moved sideways with a recent pullback and base just above its rising 200 day MA, and today showing strength out of that base back above short-term moving averages. The \$46B provider of specialty gases trades 22.5X Earnings, 14.4X EBITDA and yields 2.2%. APD expects to see 9.6% EBITDA growth this year and 12.2% in FY20. The CEO bought \$4.54M in stock back in July at \$227.16/share. APD continues to see strong cash flow and they're investing to expand capacity. They've seen strong volumes with a number of new plants coming online and better pricing helped them hit record EBITDA margins. APD generates 52% of revenues from On-Site & Pipeline, 30% from Liquid Bulk, 12% from Packaged Gas, and 6% from Equipment/Services. Its gasification technologies has a number of benefits and increasing usages. Analysts have an average target of \$240 and short interest is low at 1.2% of the float. SIG downgraded shares to Neutral from Positive in August on valuation though increasingly confident on the sustainability of APD's earnings momentum and future growth. Wells Fargo started coverage at Perform with a \$240 target on 10/15, while Barclays one of the more bullish firms with a \$260 target. Hedge Fund ownership fell 23.7% in Q2 filings, Findlay Park a top holder reducing its position while King Luther Capital added more.

Hawk Vision:



Hawk's Perspective: APD was a top pick for 2020 and see the recent pullback as a nice spot to get back involved above the 200 MA with it one of the stronger fundamental names with a very defensible MOAT.

Confidence Ranking: \$\$