



Corteva Bulls See Business Strong on Limited Impact from Virus

Ticker/Price: CTVA (\$26)

Analysis:

Corteva (CTVA) buyers active yesterday for 1,000 January \$25 calls up to \$4.60 and follows buyers in the June \$27 calls on Tuesday. CTVA has over 3,000 December \$32 calls in OI and buyers in the April \$27 calls and June \$30 calls recently as well. The September \$29 puts were bought over 7500X in early March but closed nearly all of them. It also has some sizable OI in the January \$32 and \$35, now OTM, calls as well as some \$23 and \$20 short puts. Shares are working out of a narrow multi-week base above \$25 with a measured move back to the high-end of the 1-year value range at \$29.50. The \$19.5B company trades 15X earnings and 1.4X sales with a 2% yield. CTVA has a Current Ratio of 1.6 with zero debt and \$1.75B in cash. Crops and farm-inputs likely one of the more defensive areas amid the COVID19 crisis as farmer demand should remain steady as planting season is a timing necessity and not a discretionary buy. Planting also carries little risk from social distancing policies which will be in place for longer (could even see some states like MN, ND, SD open up farm/planting from restrictions soon). CTVA has been a leader in precision agriculture and product innovation in the space with new herbicide tolerant seeds expected to help them grab more market share in corn and soybeans this year. Analysts have an average target for shares of \$31. Susquehanna upgrading to Positive on 3-31 expecting the impact of COVID-19 to be relatively minimal. They are positive long-term on the resilient nature of crop input demand. Short interest is 1.3% and down from over 4% in January. Hedge fund ownership rose 25% in Q4, clearly a name under accumulation. Eminence Capital a buyer of 3.9M shares, Glenview buying 3.5M shares, Sessa Capital with 5.6M shares, and many others. CTVA has also seen some size insider buying. On 3/2, a director bought \$980k in stock at \$28. In February, two other EVPs bought stock at \$29-\$30.

Hawk Vision:



Hawk's Perspective: CTVA has a strong balance sheet and a nice niche position, a quality way for exposure to Ag.

Confidence Ranking: \$\$