



Bullish Positioning in International Flavors

Ticker/Price: IFF (\$131.75)

Analysis:

International Flavors & Fragrances (IFF) seeing the August \$110 puts sold to buy the \$135/\$155 call spread 750X for \$3.30 and already has bullish August spreads from last week that sold 3,500 of the \$110 puts to buy the \$130/\$140 call spread. IFF has seen some smaller, high-dollar trades in the December \$140 calls and August \$135 calls recently as well. Shares are hammering off of the 20-day MA today and back above its 8-day with the recent momentum taking it back to YTD VPOC around \$134.50. On the weekly, shares sit just below downtrend resistance from early 2019 with a move above \$140 setting up a run to \$155. The \$14.78B company trades 20.4X earnings and 2.85X sales with a 2.27% yield. IFF's business is split between both scent and taste additives with exposure to snack foods, beverages, consumer home care, disinfection and hygiene products. The company highlighted in Q1 how COVID-19 and the ensuing pantry stocking has benefited their business as a key part of the CPG supply chain while areas like food service are a smaller part of their overall mix. In December, the company announced a \$26.2B merger with DuPont's nutrition unit that will create a new consumer leader through an RMT with cost savings of more than \$300M. The New IFF will be a leading supplier to consumer, personal goods, and food industries. Analysts have an average target for shares of \$135. Wells Fargo upgrading to Overweight on 4-29 as the company's portfolio should hold up better than most in the chemical universe in a deep recession while the DD deal will drive multiple expansion. Short interest is 13.7% and some elevation with the DD announcement. Hedge fund ownership fell 11% in Q1. Winder Investments, a private entity run by the family of Swedish packaging giant Tetra Laval, has amassed over 24M shares, a greater than 20% holding in the name.

Hawk Vision:



Hawk's Perspective: IFF is a likely synergy story set to play out the next few years and could definitely see multiple expansion, quality name worth a look.

Confidence Ranking: \$\$