



## FEATURED OPTIONS RADAR REPORT



### Air Products Bulls See Upside with Hydrogen Market

Ticker/Price: APD (\$286.35)

#### Analysis:

**Air Products (APD)** opening buyers of 1000 December \$300 calls \$14.50 to \$14.80 in the afternoon on 8/18, a large position for the name that has 500 December \$310 calls bought on 7/21 in OI and 1300 December \$230 short puts. It also has 1000 September \$250 and \$270 calls in OI that were sold to open in likely buy-writes. APD shares are forming a weekly bull flag with the most recent pullback holding near the rising 21 MA and needing to clear \$193 to breakout and target another trend move to new highs. The \$63.6B industrial gases company trades 29.55X Earnings, 15.8X FY21 EBITDA and yields 1.85%. Forecasts see revenue growth returning to the 7-9% range in 2021 and 2022 and 10-17% EPS growth, a name that has screened as best-in-class the last few years. 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. APD is a positive pricing story leading to healthier margins and sustainable outsized EPS growth while capital deployment is another catalyst. APD's gasification strategy is a growth theme that appears to be in the early innings, especially in the China coal to chemicals industry in the early stages of reconstruction. Hydrogen fuel cell vehicles are another long-term opportunity with APD's expertise and IP in hydrogen dispensing. Analysts have an average target of \$295 and short interest low at 1.1% of the float. CSFB out positive July noting the JV with ACWA and NEOM significantly accelerates APD's foray into carbon-free hydrogen markets and will solidify its leadership in the large-scale green hydrogen for transportation market, which could yield significant future opportunities (focused primarily on powering buses and trucks). BMO raised its target to \$363 last week and sees upside the next two years to estimates with its recent LNG project. MSCO raised its target to \$325 on the merchant pricing thesis and sees green hydrogen focused investments as an incremental upside driver. Hedge Fund ownership slid 1.1% in Q2 filings, Findlay Park and King Luther Capital top holders.

#### Hawk Vision:



**Hawk's Perspective:** APD remains a favorite and really like this angle with Hydrogen seeing a lot of uptake, a core own.

**Confidence Ranking:** \$\$