



FEATURED OPTIONS RADAR REPORT



Albemarle Put Sales See Value into Weakness

Ticker/Price: ALB \$83.30

Analysis:

Albemarle (ALB) with late day sales of 2,500 December \$80 puts on 9/24 for \$5.60, confident trade after weakness earlier this week following the Tesla (TSLA) battery day. ALB has seen smaller buys in the October \$90 and \$95 calls recently while the January 2021 and January 2022 popular with short put strategies earlier this year. Shares fell almost 15% this week but bouncing off of YTD VPOC and the 38.2% Fibonacci retracement of the rally from the March lows. Shares have room in the short-term back to \$89.50 and the 50-MA and then \$100. The \$8.77B company trades 18.9X earnings, 2.6X sales, and 11.9X cash with high-double digit growth. ALB has been increasingly shifting their focus towards lithium production with tailwinds longer-term from growth in EVs. Their revenue mix was 37% lithium, 29% bromine, and 28% catalysts in Q2 and they're investing heavily in expanding capacity into 2021/2022 to become a leading vertically integrated producer in the industry. ALB has seen demand shift out one year due to COVID and the recent Tesla (TSLA) announcement could limit the need for lithium in future EV batteries. But, the company was hosted by UBS yesterday in a 'fireside chat' and said that they were at the TSLA event themselves and think the announcement is a positive for both ALB and the industry as they set 2030 goals which are so ambitious they'll need "a lot of help and support from their partners." Analysts have an average target for shares of \$78 with a Street High \$100 at Jefferies. Truist out with a \$87 PT as the market goes through a transition period and seeing potential upside if ALB could be more aggressive on further asset disposals to fund future lithium expansions. Loop Capital upgrading to Neutral in June noting that the company remains a key player leveraged to the "electrification" of the transportation sector. Raymond James yesterday commenting on the TSLA plan notes, "the move is unlikely to be needle-moving in the context of the global lithium market and that it remains to be seen whether Tesla will follow through on its mining plan." Short interest is 9.1% but down from 17.5% in January. Hedge fund ownership rose marginally in Q2.

Hawk Vision:



Hawk's Perspective: ALB is likely a long-term winner in the lithium space and the recent sell-off feels like an over-reaction given TSLA's ambitions are 1) goals they haven't hit yet and don't expect to for years, and 2) likely helps all producers; the 200-day and YTD VPOC here give a nice level to lean against for a move back to 2020 highs

Confidence Ranking: \$\$