



## FEATURED OPTIONS RADAR REPORT



### Renewables Play Darling with Upside Call Buying

**Ticker/Price:** DAR (\$46)

#### Analysis:

**Darling Ingredients (DAR)** a strong performer that is starting to see upside call positioning as 1000 December \$50 calls and 1000 April \$60 calls bought to open on 10/22 which follows action from mid-September with 2000 December \$38 and 1000 December \$37 calls bought still in open interest. DAR shares are +63% YTD and have moved to above \$45 from \$10 lows in March. The recent move is extended well above the rising 8 week EMA support that is currently near \$39 and the next upside Fibonacci extension target is \$53.50. DAR is the world's largest processor of slaughtered animal by-products and transforms them into value-added ingredients and solutions to feed and fuel the world. It serves industries such as Pharma, Food, Animal Feed, Bio-Energy, Fuel, Ag, and Fertilizer. DAR has transformed and by 2022 when Diamond Green Diesel's St. Charles expansion comes online the Fuel segment will back up more than 60% of its EBITDA and then even more when the Port Arthur renewable diesel facility comes online by 2024. DAR is transforming itself from a rendering company to one of the world largest, most efficient (low CI), and lowest-cost producers of renewable diesel(RD).The DAR and VLO partnership gives DGD JV a competing edge over most other greenfield renewable diesel projects being pursued by competitors. In Food, DAR is focused on growing its Peptan (spray dry) business vs. the traditional gelatin business. Peptan is a fast-growing specialty ingredient positioned specifically towards nutritional supplement customers focusing on improved bone, joint and skin health, and will lead to a better margin mix. The \$7.3B company is trading 24X Earnings, 2.15X Sales and 46.5X FCF with modest revenue growth currently in forecasts. Analysts have an average target of \$43 and short interest low at 1.5% of the float. Roth Capital raised its target to \$84 today. Wolfe Research recently started shares Outperform with a \$67 target and Stephens at Overweight with a \$54 target noting earnings inflection. Hedge Fund ownership rose 3.65% in Q2 filings, Impax Asset Mgmt. a top holder.

#### Hawk Vision:



**Hawk's Perspective:** DAR is quietly a name most are missing and a great play on renewable diesel, a name to stash away for the long-haul.

**Confidence Ranking:** \$\$