



FEATURED OPTIONS RADAR REPORT



Unusual Call Buys in Cabot on China Recovery, EV Market Potential

Ticker/Price: CBT (\$41)

Analysis:

Cabot (CBT) unusual action this week with a buyer of 1000 April \$45 calls at \$3.10 on 10/7 after 900 bought to open \$2.70 on 10/5, the first notable trades in the name in a long time. CBT shares have trended lower since a sharp sell-off in October 2018 but currently forming a weekly flag after doubling off the March lows, and above \$42 can run back to \$48 or higher. CBT is a specialty chemicals and performance materials company with rubber and carbon black two key markets so closely tied to Auto Production and Tire Production numbers. It also has exposure to Infrastructure, Packaging and Agriculture markets. 40% of sales are tied to the replacement tire end market, 25% driven by new autos and 35% linked to consumer and infrastructure-related applications. CBT did an interesting deal for Sanshun in January 2020 for \$115M, a leading carbon nanotube (CNT) producer in China which positions CBT in the fast-growing EV market in China. CBT recently signed a fifteen-year supply agreement with Advanced Emissions. The \$2.15B company trades 14.3X Earnings, 7.7X FY21 EBITDA and yields a 3.5% dividend. Revenues are set to fall 20% this year and rebound 6% in 2021. Analysts have an average target of \$44 and short interest at 2% of the float has jumped 17.8% Q/Q. Barclays raised its target to \$50 on 9/3 positive on carbon-black fundamentals and sees CBT a good way to play a cyclical recovery in China. Hedge Fund ownership fell 6% in Q2 filings.

Hawk Vision:



Hawk's Perspective: CBT is an interesting small cap play with unusual activity, a big jump from the original call buys and seems to be undervalued.

Confidence Ranking: \$