



## FEATURED OPTIONS RADAR REPORT



### Bulls See New Highs for Leader in Ag Commodity Processing with Margin Tailwinds

**Ticker/Price:** ADM (\$58.90)

#### Analysis:

**Archer Daniels Midland (ADM)** with 3,000 December \$65 calls bought for \$1 to \$1.05 into the mid-day lows and volumes over 5,000X now. ADM had buyers of the January 2023 \$55 calls 1000X on 7/26, a more than \$700K buy, and still has short puts in open interest from the \$65 and \$55 strikes from mid-May and June. Shares have been on a big run since the March 2020 lows and pulling back recently to the 200-MA with a narrow range over the last month. A move back above \$60.65 key to reclaiming the bull trend and room higher to \$67 and a high-volume node from May. A breakout to new highs targets \$85. The \$33.4B company trades 13.1X earnings, 0.45X sales, and 1.5X book with a 2.5% yield. ADM is a leader in commodity processing and benefitting currently from supply/demand tightness in the current macro environment, especially from China. They've undergone a big multi-year investment cycle into tech and their supply chain that is driving significant savings and efficiency while allowing them flexibility to focus on innovation and profitable growth. ADM launched a program called IFD earlier this year which realigns their human nutrition business as well as their go-to-market approach across foods, beverages, and health and wellness. The program is starting to yield positive returns as they expand their sales pipeline and win new contracts in a high-margin, fast-growing business. Analysts have an average target for shares of \$65 and a Street High of \$78. Jefferies starting at Hold with a \$55 PT recently, positive on their Nutrition business but concerns over peak earnings. Baird positive citing sustained improvement in export demand from China, a recovery in foodservice, and strong operational performance. Barclays positive in May noting that ADM has long-term tailwinds to margins from potential for more feedstock demand for renewable green diesel. Short interest is minimal. Hedge fund ownership fell 3.7% in recent filings. ADM has seen some large insider buys lately as well including a \$1M buy from the CEO on 7/29 at \$59.54. Another SVP also bought \$300K in stock at \$58.40 in March.

#### Hawk Vision:



**Hawk's Perspective:** ADM is a high-quality name back at a nice risk/reward spot versus the 200-day MA while the size insider buy from the CEO gives a strong vote of confidence in recent lows

**Confidence Ranking:** \$\$