



## Archer Daniels Size Bullish Calls Bought into Consolidation Pattern

Ticker/Price: ADM (\$46)

### Analysis:

**Archer Daniels Midland (ADM)** with buyers of 1,500 June \$46 calls up to \$2.07 to open and now volumes running over 4,400X and follows recent buyers in the February \$44 calls, January 2022 \$42 and \$45 calls, and June \$44 calls. The February \$47 calls bought over 8,000X on 1-3 remain in OI as well. Shares are flagging under the December highs after a strong run from the August lows and a move higher targets \$51 and the July 2018 peak. Shares are moving back above January value this week and potential early trend shift. The \$26.24B company trades 12.5X earnings and 0.41X sales with a 3.2% yield. ADM is forecasting high-single digit EPS growth and revenues up 1.5% to 2% the next two years with margin improvement as they execute on a major efficiency plan within their logistics and transportation business. ADM has been undergoing a big investment cycle and portfolio shift since 2014 across origination, processing, and specialty nutrition and now positioned with a more profitable and balanced revenue mix. They see major investments in tech like AI and machine learning giving them an edge in processing with higher production and lower costs that will help them withstand a weaker pricing market in the future. And they are positioned for some major thematic trends within food over the next 5-10 years like alternative proteins, health and wellness, and growth in premium pet food. Analysts have an average target for shares of \$47 with 5 buy ratings, 1 hold, and 1 sell. Monness Crespi downgrading to Sell on 1-9 with a \$38 PT. The firm thinks the optimism around Phase One is overdone and Ethanol margins have worsened. Stephens with a \$50 PT and Buy rating. They think shares have been under pressure due to investments in future growth but giving a solid entry as those businesses mature over the next 2-3 years and earnings power returns. Short interest is 1.9%. Hedge fund ownership fell 22.5% in Q3 but Diamond Hill Capital and Levin Capital two notable buyers. ADM saw a lot of insider buying in early 2019 including a \$2.5M buy from a director at \$41.85 and a \$1M buy from the CEO at \$42.

### Hawk Vision:



**Hawk's Perspective:** ADM has a real nice set-up here and activity continues to bet on upside, a nice name in a tough Ag space.

**Confidence Ranking:** \$\$