Call Buyers Pile into Leading Ag Stock Benefitting from Better Pricing, Demand Trends

Ticker/Price: BG ($109.20)

Analysis:

Bunge (BG) strong name this week with the Ag stocks outperforming and seeing a lot of bull flow including buyers of 4,250 July $130 calls on 3/3 for $1M and 1000 November $110 calls for $1M as well. BG has seen buyers in the April $110 and $120 calls as well. Shares are working higher recently out of a small consolidation and room to run to $116-$117. BG started to clear a bigger weekly range in early February that targets a move to $130. The $14.87B company trades 11X earnings, 0.25X sales, and 7.5X cash with a nearly 2% yield. BG is a leading agribusiness company in the world with further exposure to milling products, fertilizer, sugar and bioenergy. BG is coming off a strong year behind records in total crush volume, refining performance and port volumes while leveraging their expansive global footprint. The company sees 2022 as a major acceleration of the trends that started last year as they focus on crush debottlecking and expansion, replacing refineries in India and Rotteram, and expanding into growth areas like specialty proteins. Analysts have an average target for shares of $106 with a Street High $120 from Barclays who raised estimates recently and sees $9.50/share in earnings power this year. BAML upgrading to Buy on 2/11 seeing further upside from supply disruptions. The firm notes that the global dislocation in crop supply and demand should benefit Bunge's merchandising business while noting that there is also meaningful upside in its processing and refined oil businesses. Short interest is 2.75%. Hedge fund ownership rose 7% last quarter.

Hawk Vision:

Hawk's Perspective: BG has run a lot in a short-time and would like to see it pull back into the $103-$104 zone for a better risk reward but it's positioned well for the current environment and should continue to outperform

Confidence Ranking: $$