



FEATURED OPTIONS RADAR REPORT



Call Positions Accumulate in Semi-Equipment Stock Benefitting from Surge in Electronics Demand

Ticker/Price: ESI (\$23.50)

Analysis:

Element Solutions (ESI) early buyers of 1,500 February \$20 calls for \$4.70 and volumes now above 3,200 on the morning. ESI still has over 3,000 November \$25 calls in OI from buyers as well. Shares are consolidating in a narrow multi-month range under recent highs at \$24.75 and a breakout has room to \$27. The longer-term trend continues to be bullish as well with a bigger range target out to \$30. The \$6B company trades 15.6X earnings, 2.8X sales, and 29X FCF with a 1% yield. ESI produces specialty chemicals for the electronics and industrial markets. The former focuses on circuit board production and semiconductor solutions for mobile, computers, autos, and aerospace markets. The latter market focuses on protective chemicals used in metal and plastic surfaces for packaging things like Deepwater production and drilling apparatuses. ESI is coming off of a strong quarter as they execute well despite supply chain issues and raw material shortages. ESI is benefitting from the surge in demand for electronics and they expect 2022 to be a turnaround year in automotive as production resumes towards normal levels. ESI has been active deploying capital as well recently as they look to build out share in the market. In June, they announced a \$500M deal for Coventya, a global specialist in industrial surface treatment technology that will help drive cross-sell opportunities with a lot of their existing client base. Analysts have an average target for shares of \$14 with a Street High \$29 from Loop Capital. The firm out raising estimates in June and they think recent M&A rumors in the space show the attractiveness of the space where ESI is a growing player. Hedge fund ownership rose 2% last quarter. Gates Capital, Glenview and Peregrine Capital notable holders.

Hawk Vision:



Hawk's Perspective: ESI is an excellent under-the-radar name that has been executing well and should have positive end-market support into 2022 and beyond; they're making some nice moves deploying capital and given their attractive profile they could be a nice target themselves

Confidence Ranking: \$\$