



## FEATURED OPTIONS RADAR REPORT



### Unusual Call Buy in ESG Packaging Play

**Ticker/Price:** GPK (\$17.65)

#### Analysis:

**Graphic Packaging (GPK)** with an unusual large trade this week as 2250 August \$12.50 ITM calls bought to open for \$1.21M and on 6/24 the August \$17.50 calls bought 1500X for \$150K. GPK has pulled back off May highs with forming a nice inverse head and shoulder bottoming pattern with the rising 144-day moving average acting supportive, needing to clear \$18.20 to get back above the 55-day and key volume resistance. GPK will report on 7/27 and shares lower 5 of its last 6 reports. GPK is a leading provider of sustainable, paper-based packaging solutions for a wide variety of products to food, beverage, foodservice and other consumer products companies. It is one of the largest producers of folding cartons in the United States and holds leading market positions in coated recycled paperboard ("CRB"), coated unbleached kraft paperboard ("CUK") and solid bleached sulfate paperboard ("SBS"). The SBS-FC, CUK, and CRB markets have benefited from increased consumption of processed, frozen, and snack foods, while CUK has also been a derivative beneficiary of multi-can BevCan growth. The relative laggard, SBS-FS, continues to show signs of improvement with consumer spending in foodservice applications sequentially improving off of last year's lows. GPK has a market cap of \$5B and trades 8X EBITDA, 11.2X Earnings, and 6.1X FCF with a 1.7% dividend yield making it one of the more attractively valued small caps. GPK revenues are seen rising 5-6% in 2021 and 2022 with EBITDA rising 3.8% and 11.6% respectively. GPK announced a \$1.45B deal in May for AR Packaging which produces fiber-based consumer packaging. GPK expects the acquisition to add \$160M in EBITDA annually, against \$1.1B in revenues. The deal increases GPK's European footprint and increases exposure to high-growth markets such as Health & Beauty. Analysts have an average target of \$22 and short interest low at 1.5% of the float. Goldman started at Buy with a \$22 target earlier this year seeing GPS as a low-cost producer in a consolidated domestic industry, with a differentiated strategy to increase vertical integration into value-added downstream end products, providing significant scope to expand long-term margins and ROIC as it pursues sustainability-driven organic growth initiatives. Seaport upgraded to Buy in April with a \$22 target noting 2021 may be challenging due to inflationary pressures but sees big earnings upside in 2022 and 2023. GPK is the most highly owned name among peers for ESG funds.

#### Hawk Vision:



**Hawk's Perspective:** GPK feels like a great under loved value name, above \$18.20 would trigger the price momentum.

**Confidence Ranking:** \$\$