



FEATURED OPTIONS RADAR REPORT



Large Bull Spread Sees Positive Risk-Reward in Value Chemicals Play

Ticker/Price: IFF (\$126.50)

Analysis:

International Flavor (IFF) big bull spread ahead of earnings next week bought 5000 August \$130 calls and sold the September \$115 puts, net debit \$0.68 seeing positive risk/reward into numbers. IFF does not have any other notable open interest and shares are down 17.5% YTD with a bull 21/55 MA cross nearing but still below its 200-MA. MACD has crossed bullish on the weekly and RSI trying to clear 50 with \$131 a first key retracement level to target. IFF spent 2021 as a transitional year with doubts regarding the success of its larger merger with DuPont's Nutrition and Biosciences division. IFF is a leader in high-value ingredients and solutions in the Food & Beverage, Home & Personal Care and Health & Wellness markets, and across key Taste, Texture, Scent, Nutrition, Enzymes, Cultures, Soy Proteins, Pharmaceutical Excipients, Biocides and Probiotics categories. IFF is also looking to d-de-lever after the deal and sold its Microbial Control business for \$1.3B in August. IFF has been facing margin headwinds with material costs rising but expects that to start coming down and with margin expansion shares can re-rate higher. IFF now has a \$31B market cap and trades 19.5X Earnings and 17X EBITDA with a 2.55% dividend yield and expected 4.4% FY23 FCF yield. Revenues are seen rising 8.8% in 2022 with 37% EBITDA growth. With volume strength across Beverages, Enzymes and Fine Fragrances and potential for strong pricing, IFF can surprise to the upside. IFF is also planning on making further divestments as a catalyst and spoke at Bernstein in June discussing opportunities for enzymes in the Biotech space. Analysts have an average target of \$145 with short interest minimal at 3% of the float. Sachem Head holds IFF as its top position though did sell shares last quarter while Edgepoint and Viking top holders as well and Icahn started a new position. BAML lowered its target to \$161 recently to account for FX and slower macro. CSFB in June started shares Outperform with a \$145 target as a first mover in a consolidating industry.

Hawk Vision:



Hawk's Perspective: IFF looks quite attractive at this PE as a quality business with potential upside to estimates and fading headwinds.

Confidence Ranking: \$\$