



FEATURED OPTIONS RADAR REPORT



Bullish Accumulation in Paper, Packaging Name Amid Transformation

Ticker/Price: IP (\$59.85)

Analysis:

International Paper (IP) strong setup with shares basing just above the 200-MA and the 23.6% Fibonacci retracement and bullish flows on 9/1 with 1,265 April \$67.50 calls bought to open and already has some notable open interest in the January 2023 \$70 calls, October \$57.50 calls, and \$2.5M in January 2023 \$50 calls. Shares are basing in a narrow range under \$60.50 and a volume shelf that has room to \$62 and then recent highs on a move higher. Weekly MACD has reset and starting to turn higher while RSI is around 60 and plenty of room for upside. The \$23B company trades 10.6X earnings, 1.1X sales, and 15X FCF with a 3.5% yield. IP is a leading in fiber-based packaging with low-cost assets and significant tailwinds from growth in ecommerce, industrial packaging and more. IP is coming off of a strong quarter with containerboard demand surging and inventories low giving them pricing power to keep up with inflationary pressures. In December, they announced plans to separate into two companies with IP focused on packaging and their NewCo, Sylvamo, focused on global paper operations. The move leaves IP with around \$17B in sales, a strong strategic profile, and plenty of long-term catalysts for earnings growth through cost cuts and asset optimization. Sylvamo has significant scale and strategic optionality. The company will host an investor event on 9/9 to discuss the long-term strategy for Sylvamo. Analysts have an average target for shares of \$63 with a Street High \$96. Stephens upgrading to Overweight on 6/28 ahead of what the firm sees as the very substantial value creation potential of the upcoming separation into two companies. The Sylvamo white paper spinco will leave just IP's domestic containerboard and pulp business and while Sylvamo will take on leverage, he expects the IP containerboard and pulp remainco to emerge significantly underlevered. Hedge fund ownership fell 8% last quarter. Short interest is 2.35%.

Hawk Vision:



Hawk's Perspective: IP is positioned well amid some long-term trends and the split will be a nice value-creation event; shares are giving a solid risk/reward versus the recent lows and great on a longer-term timeframe while flows support new highs.

Confidence Ranking: \$\$