



## LEAP Calls Accumulate in International Paper

Ticker/Price: IP (\$44.40)

### Analysis:

**International Paper (IP)** with 2000 January 2022 \$35 calls opening \$10.62 early as more January 2021 \$35 adjust, and follows 1200 opening for \$1.284M yesterday. IP does not have a lot of notable open interest near-term and will next report earnings 1-30 before the open, shares higher the last five reports though overall been a market laggard in terms of performance. IP shares are forming an 18 month basing pattern with weekly RSI making higher lows and tested the 34 week MA last week, potential to break above \$47 for a move measuring back to \$55 longer term. The \$17.5B leading paper and packaging company trades 11.8X Earnings, 11.75X FCF and 7X EV/EBITDA, cheap on valuation with a big 4.6% dividend yield. Forecasts see revenues continuing to decline in 2020 while EBITDA seen down 7.5% Y/Y as it continues to struggle with both demand and costs. IP is a capital allocation story currently with selective M&A and buybacks. It still has a fairly strong FCF profile while ROIC at a 10.7% 5 year average is positive. Analysts have an average target of \$47.65 and short interest at 3.4% of the float is at a new five-year high. Stephens recently with a cautious note seeing further cuts to containerboard pricing in early 2020. Goldman cut to Sell with a \$40 target on 12/10 citing downward revisions to estimates and heightened risk of further containerboard price cuts as capacity rises 8.4% in 2020 and demand remains subdued. Hedge Fund ownership fell 3.8% in Q3 filings, and a name lacking any notable concentrated holders.

### Hawk Vision:



**Hawk's Perspective:** IP has a nice yield and strong FCF but hard to be too bullish with the supply/demand fundamentals, and the rising short interest with a structural weakness to this story, so I see better opportunities elsewhere.

Confidence Ranking: \$