



## Bulls Position for Dentsply Turnaround into Next Quarterly Report

**Ticker/Price:** XRAY (\$40.85)

### Analysis:

**Dentsply (XRAY)** spread sells 1,000 February \$41 straddles for \$2 to buy 1,000 March \$41 calls \$2.15 and follows 2,000 February/March \$43 calendar call spreads opened last week while open interest has 1,000 February \$40 calls bought, 2,000 February \$42 calls bought, and 1,000 each of the April \$41 and \$45 calls bought. XRAY shares are flagging for three weeks under its 200 day MA after working out of a long weekly base, near-term with \$44.50 a likely upside target from the base breakout. XRAY will report late in February which explains the short February positioning. The \$9B dental leader trades 18.45X Earnings, 2.25X Sales, 20.35X FCF and 13.5X EBITDA with a 0.87% dividend yield. XRAY shares have come under pressure as 2018 saw revenues down 1% Y/Y after 6% growth the year prior, and sees 2019 the start of a re-acceleration of revenue growth while EPS seen moving back to double digit growth. XRAY has a plan focused on growth, margins, and simplification targeting \$200-\$225M cost savings annually by 2021. It targets a large \$27B market growing mid-single digits with favorable demographics and innovating technology. Analysts have an average target of \$43 on shares and short interest at 4.5% of the float is back near a five year high. UBS recently started shares at Neutral with a \$43 target, while Goldman upgraded shares in October to Buy with a \$44 target noting attractive valuation, potential value creation, and a turnaround story. Hedge Fund ownership jumped 10.1% in Q3, notable new position for Value-Act, while Jackson Square sold its entire large stake.

### Hawk Vision:



**Trading Strategy:** XRAY looks attractive as a turnaround story, a break above the 200 MA can open up a strong move back towards \$45.

**Confidence Ranking:** \$\$