



Calls Accumulate in Speculative Fertilizer Co. Intrepid

Ticker/Price: IPI (\$3.40)

Analysis:

Intrepid Potash (IPI) running here with 3,935 March \$4 calls bought \$0.10 to \$0.15, name with recent accumulation June and September \$3 calls in 2019. IPI shares are strong today up 7% and moving out of a multi-week tight range and the action today comes ahead of CF (CF) earnings after the close, a peer. The \$420M potash and langbeinite company trades 17.7X Earnings, 2.4X Sales, and 11.55X FCF with a strong balance sheet. The CEO was an active buyer last year of shares in the \$3.24 to \$3.64 range and Clearway Capital has been a 10% owner adding to its stake. IPI will next report in late February and sees 2019 as a return to growth year with 13% revenue and 185% EPS growth forecasted. IPI is diversified as it also owns water rights for drilling activity in the Permian Basin, by-product assets, KCI for industrial applications and other feed & nutrient assets. Analysts have an average target of \$4.25 on shares and short interest muted at 3.5% of the float. Stephens is a firm that upgraded shares with a \$7 target in October, and sees rising water and potash demand and byproduct sales can lead to improved FCF. Hedge Fund ownership was down 20.9% in Q3 filings.

Hawk Vision:



Trading Strategy: IPI is a set-up with the previous call accumulation highlighted the last two weeks and making its move today, an intriguing speculative name.

Confidence Ranking: \$\$