



## FEATURED OPTIONS RADAR REPORT



### Bulls Position for Strength in Dental Supplier

Ticker/Price: XRAY (\$62)

#### Analysis:

**Dentsply (XRAY)** traded more than 4000 calls on 7/13 which is 70X average as October \$62.50 calls were the focus trading 4150X at \$3.40 to \$3.60, sizable premium and a day after 1000 August \$65 calls opened for \$175K. XRAY has 5000 October \$80 short calls in open interest and otherwise no notable positions. XRAY shares have pulled back steadily since May and now back right at trend support off its September 2020 and February 2021 lows. XRAY has some work to do with plenty of overhead resistance but versus the 144-day moving average at \$61.20 a solid reward/risk. XRAY is also back near a level from a big insider buy back in March when a Director bought 5000 shares at \$58.95. XRAY will report on 8-5 and has sold off four of its last five reports. XRAY is the world's largest manufacturer of professional dental products and technologies. XRAY is in year two of a turnaround plan that involved simplifying its portfolio, organizational framework, and shedding some slower growth units. In January, the company bought Byte, a maker of clear aligners for \$1.04B. The deal adds SureSmile to their clear aligner business and gives them a major position in the DTC market. XRAY falls into a return to normal play with vaccinations as people return to dental offices and is coming off a strong beat and raise quarter. XRAY has a market cap of \$13.4B and trades 19.3X Earnings, 15X EBITDA, 3.85X Sales and 26X FCF with a strong balance sheet. Revenues are expected to jump 27% this year after falling 17% in 2020 with EBITDA seen up 50.7% after a 22.4% decline. XRAY is also guiding for continuing margin expansion and sees opportunities in high-growth categories and under-penetrated international markets. XRAY spoke at a Goldman Conference in June and management was optimistic on dental market growth going forward, citing the adoption of digital technology and expansion of services offered by general dentists. XRAY also pointed to an acceleration in demand for aesthetic dentistry (e.g. clear aligners, implants) and increased access to dental services in emerging markets that could drive more durable market growth. Analysts have an average target of \$75 and short interest is low at 1.7% of the float. Piper noted on 6/21 that XRAY's SureSmile won the Aspen Dental deal. Barrington raised its target to \$77 in May noting XRAY is execution on its strategic vision while Baird to a \$78 target encouraged by dental trends and sustained double digit EPS growth. Generation Investment and Atlanta Capital notable top holders.

#### Hawk Vision:



**Hawk's Perspective:** XRAY pulling back certainly looks like an opportunity, the name is attractively valued and business set to improve in coming quarters, a re-rate opportunity.

**Confidence Ranking:** \$\$