



Bullish Positioning Accumulates in DENTSPLY into Product Cycle

Ticker/Price: XRAY (\$58.94)

Analysis:

DENTSPLY Sirona (XRAY) seeing notable options positioning as another 3,000 March \$60 calls bought \$2.25 to \$2.35 on 1/29 against the sale of 2,325 February \$57.50 puts at \$0.65. XRAY has previously seen 2000 of the March \$60 calls bought against the sale of July \$67.5 calls and 2000 of the February \$60 calls bought that remain in open interest. XRAY shares recently triggered a breakout above the \$58.50 level and ran a bit but now have come back near that key level on a retest, the pattern of the breakout measures to an upside target of \$67. The \$13B maker of dental health products trades 21.6X Earnings, 16X EV/EBITDA and 41.25X FCF with a 0.68% dividend yield and forecasts looking for acceleration in revenue growth in FY20 to 3.3% with EPS seen rising double digits after 22% growth in FY19. XRAY saw insider buys active in May-June 2019 for more than \$1.4M in the \$53.60 to \$55.31 range. XRAY announced a restructuring plan in November 2018 and is targeting 22% operating margins by FY22 and cost savings of \$200M to \$225M. It is also revamping innovation, improving demand creation and expanding its footprint to growing markets. It launched 11 new products in 019 as key growth drivers. Analysts have an average target at \$63 and short interest is hitting multi-year lows at 1.4% of the float. The launch of its Primescan digital impression tool is expected to be a strong equipment refresh cycle. On 12/16 Goldman moved to Conviction Buy with a \$66 target seeing meaningful earnings drivers in 2020 with restructuring tracking ahead of plan and Primescan and the OneDS program driving incremental market share. JP Morgan cut shares to Neutral on 12/11 on valuation and tougher comps, a \$65 target noting solid execution is now reflected in valuation. Hedge Fund ownership fell 22.5% in Q3 filings, though a name with notable concentrated holders like Generation Investment, Artisan Partners and Veritas while Atlanta Capital and Champlain Investment added to positions.

Hawk Vision:



Hawk's Perspective: XRAY flows are bullish, fundamentals are progressing in the right direction, and the chart looks great, so definitely a name to consider here.

Confidence Ranking: \$\$