



## PG&E Bullish Positions Accumulate on Expectations for Positive Outcome

**Ticker/Price:** PCG (\$17.85)

### Analysis:

**PG&E (PCG)** with 9500 July \$21/\$27 call spreads opening \$1.05 that follows w,1000 January \$17/\$9 bull risk reversals yesterday and a plethora of mostly bullish positioning, also 10,000 September \$20/\$15 bull risk reversals opened on 4/23 and seen size put sales coupled with size call buys across September and January. The \$10B Utility trades 1.1X EBITDA and 0.72X Book having come under fire for its role in the California wildfires and the associated liabilities it may face. Shares traded down near \$5 earlier this year and rallied back to \$24, recently fading with a 50% retracement being the \$15.20 level. The WSJ recently report plans for PCG to cut power to 5.4M homes to help prevent wildfires during high winds. There have been some rumors that Berkshire Hathaway would take a look at an acquisition, but Buffet denied those reports last month. Hedge Fund ownership soared 150% in Q1 filings with notable funds like Appaloosa, Anchorage Capital, Baupost Group, Elliott Mgmt., and others seeing an opportunity in the news-driven distresses situation. On 4-22 PCG submitted an updated financing proposal for \$26B in energy infrastructure investments. PCG could receive offers for some assets in coming months according to Bloomberg. PG&E filed for bankruptcy in January to deal with an estimated \$30 billion in liabilities from wildfires that its equipment may have ignited. PG&E bonds are trading at or close to par on the expectation that bondholders will be made whole in the bankruptcy. Loeb isn't the only big name activist in the company's credit. Paul Singer's Elliott Management Corp. has also built a position in the debt and is part of an ad hoc credit committee that has pitched a \$35 billion plan that would allow PG&E to exit bankruptcy. BAML noted there is some potential for renewed interest in PCG from a larger Utility buyer. Citi rates shares a Buy seeing something constructive happening by July.

### Hawk Vision:



**Trading Strategy:** PCG is an intriguing situation and if following the smart money these spreads offer a real nice reward/risk for those willing to take a shot.

**Confidence Ranking:** \$\$