



Bulls Accumulate Hess Calls for January 2020 as Guyana Production Soars

Ticker/Price: HES (\$66.45)

Analysis:

Hess (HES) has been seeing steadily bullish positioning since mid-April and has 8,500 June \$60 calls and 5,500 June \$67.50 calls in open interest for the front month, while most of the focus has been on January 2020 with 1,200 of the \$72.50 calls bought yesterday for \$590,000 which follows more than 8,000 each of the \$70 and \$75 calls bought and 3,700 of the \$65 calls. HES shares held up very strong compared to peers with the recent decline in the E&P group and nearing its highest level since Q3 2018. The monthly chart shows a well-defined range of \$40/\$67.50 it could break out of shortly. The \$20.37B Company trades 35.6X Earnings, 16.1X FCF, 2.1X Book and 8.9X EV/EBITDA with a 1.5% dividend yield. HES posted 28% EBITDA growth last year and sees 10% growth in 2019 and 27% in 2020. Its next event is the Wells Fargo Conference on 6-11 and is coming off a strong quarter exceeding estimates driven by strength in Gulf of Mexico, Bakken and North Malay Basin. HES is focused on a high return portfolio expecting 20% cash flow CAGR and 10% production CAGR through 2025 and lowering break-even costs to \$40/bbl. It has a world-class Guyana position and the Bakken is its FCF engine. It has a leading position among peers in Liquids, expected to be 80% of production mix by 2025. Analysts have an average target of \$71.25 on shares and short interest at 5% of the float is hitting a new three-year low and down 47.5% Q/Q. Capital One upgraded shares to Equal Weight with an \$80 target on 5-15 massively overhauling the Guyana production estimates. Hedge Fund ownership rose 1.25% in Q1 filings, a new stake from Viking Global while Elliott Mgmt. continues to hold an 8.3% weighted position.

Hawk Vision:



Trading Strategy: HES price action combined with repeat call activity shows it is a prime Energy name to be considering for exposure to that group.

Confidence Ranking: \$\$\$