



Unusual Large ITM Call Buys in Dominion Energy

Ticker/Price: D (\$79)

Analysis:

Dominion Energy (D) trading 4,500 August \$75 ITM calls this morning up to \$5.70 to open, sizable trade in the name ahead of a key legal catalyst expected this week. Dominion has seen buyers recently in the January \$70 calls and October \$72.50 calls as well. Shares are breaking out today above \$78 from a multi-month range which targets \$83 and continuation of a rebound from the 2018 lows. Shares traded as high as \$84 in late 2017 and MACD and RSI both moving off of oversold levels here following the recent pullback with plenty of room for upside. The \$62B utility trades 17.7X earnings and 2.3X book with a 4.68% yield and mid-single digit growth, down from 12.5% in 2019. They see 3.8% and 4.2% sales growth. Dominion has been weighed down recently by a legal battle over their Atlantic Coast natural gas pipeline. In December, the 4th Circuit canceled a permit that allowed the pipeline to cross the Appalachian Trail on National land and the company has appealed the decision. The government has asked for an extension to consider their case before SCOTUS and they should hear by June 25 whether they've been granted additional time. SCOTUS can then choose to take the case or not. Dominion is expected to cancel the project if SCOTUS doesn't choose to hear their appeal due to costs. They believe they can win an appeal given 56 other pipelines have crossed the trail. A win in court would allow the pipeline to resume construction in Q3 and complete in 2021. Analysts have an average target for shares of \$85.75 with 4 buy ratings and 10 hold ratings. Short interest is 1.3% and down sharply from April 2018 when it was 4.8% and in January when it was 3.8%. BAML upgrading to Neutral with an \$80 PT on 6-13 seeing ACP risks priced into shares and upside from O&M initiatives. Hedge Fund ownership rose 13% last quarter. Barrow Hanley with 19M shares and Zimmer Partners a buyer of 1.825M shares over the last couple quarters. Dominion insiders have been active buying stock with two different directors adding at \$76.33 in March (\$150k and \$500k) while others buying in late 2018.

Hawk Vision:



Trading Strategy: D looks strong technically and also options flow with a fat dividend yield, one of the better Utility stocks to own if looking for exposure to that group.

Confidence Ranking: \$\$