



Williams Co. Calls Jump into Earnings

Ticker/Price: WMB (\$25)

Analysis:

Williams Co. (WMB) saw a late surge in call buying yesterday and ended up trading 10,000 November \$25 calls to open \$1.15 to \$1.25. WMB has previously seen opening sellers of the January \$26, \$24, and \$21 puts in size blocks, and August 23rd (W) calls have seen 2000 of the \$25 strike bought. The September \$28 calls were sold to open 8000X on 6/25 in a buy-write. WMB will report tonight after the close and shares have closed lower 10 of the last 12 reports. Shares have pulled back the last few weeks and potentially forming the right shoulder of a large inverse H&S pattern with shoulder support at \$24, resistance at \$29, and a long term measured move target to \$40. The \$31.75B Energy Co. trades 22X Earnings, 11X EV/EBITDA and yields a 6.1% dividend. Forecasts see EBITDA growth of 7% this year and 6.7% next year. Williams calls itself a unique large-scale, low-volatility, growing natural gas infrastructure company. It handles 30% of all US natural gas volumes which is the preferred fuel type for new power generation projects by a wide margin. Analysts have an average target of \$32 and short interest is low at 2.8% of the float. Raymond James upgraded shares to Strong Buy with a \$32 target on 6/26 on valuation and the attractive Transco franchise growth, upside to Northeast G&P volumes, and cash flow potential from deepwater assets. Hedge Fund ownership fell 4.75% in Q1 filings, Tortoise Capital and Harvest Fund top concentrated holders.

Hawk Vision:



Hawk's Perspective: WMB has seen a recent move that looks a bit like capitulation and is a high quality name in this weak group offering a large yield and positions well for Natural Gas. It is a chart you would have to buy and "hold your nose" but a reversion move higher looks likely.

Confidence Ranking: \$\$