



Large Call Buys in Edison as California Legislative Seen to be Catalyst

Ticker/Price: EIX (\$67)

Analysis:

Edison (EIX) with 4000 July \$67.50 calls bought aggressive \$1.25 after recent size call buys in **Dominion (D)**. **EIX** also seeing 2,400 September \$67.50 calls bought \$3.20 in a sweep and 500 of the August \$65 calls active with buyers as well. The October \$65 calls have more than 7200 in open interest from size buyers though also 5,000 October \$55/\$50 put spreads in OI. The September \$65 calls bought 2000X to open on 6/21 for \$680K. Shares have been rebounding after the wild-fire issues and above \$72 would be an inverse head and shoulders breakout measuring to above \$90. The \$21.9B Utility trades 8.4X EV/EBITDA, 2.1X Book and yields a 3.65% dividend. EIX is focused on clean energy, efficient electrification and the grid of the future with the EIX division. Southern California Edison (SCE) has an 8% annual average rate base growth through 2020. Analysts have an average target of \$72 on shares and short interest low at 1.5% of the float. On 6/10 Mizuho raised its target to \$75 after the earnings presentation, raising estimates. UBS upgraded to Buy on 6/4 with a \$72 target seeing improving regulatory and legislative visibility in California, though notes failure to pass Wildfire legislation in 2019 could provide downside, shares are pricing in \$7B of new equity and a 10% discount for strict liability to buffer this risk. Wolfe Research upgraded shares to Outperform in May with a \$75 target expecting a fix to California wildfire liability rules this year. Hedge Fund ownership jumped 39.3% in Q1 filings.

Hawk Vision:



Trading Strategy: EIX has been on a big run and clearly carries some event risk but is an attractive Utility with a known catalyst, so a move back to \$63 could be a nice opportunity.

Confidence Ranking: \$\$