



## LEAPs in Cheniere Energy Position for Upside

**Ticker/Price:** PDD (\$21.35)

### Analysis:

**Cheniere (LNG)** with 2,350 January 2021 \$90 calls bought today for \$3 in a stock replacement and another 1,000 bought later as well. LNG had 1,000 OTM January 2021 \$80/\$60 bull risk reversals bought yesterday and near-term flow with the August 30<sup>th</sup> (W) \$70 calls bought on 7-15 while the September \$70, \$75, and \$77.50 calls all with notable open interest. LNG has traded in narrow flag since early 2018 after a strong run from the 2016 lows and a breakout targets \$85-\$90. Long-term, shares are back at key trend support from the channel off the lows while a move over the 2014 highs can fly. The \$17.4B company trades 18.5X earnings, 2.18X sales, and 16X cash with 55% EPS growth in FY20. They see 17.5% revenue growth as well. LNG announced a long-term agreement with Apache in June and raising their cash flow guidance seeing over \$9B generated through 2024 as their Sabine Pass facility expands. Analysts have an average target for shares of \$78. BTIG with Neutral rating on 7-16, long-term positive on the LNG thesis but noting that a recovery in Asian prices is priced into shares. Gabelli starting at Buy in May seeing demand significantly exceeding current supply by 2025, led by Chinese growth. Short interest is 2.1% and down to new 10-year lows. Hedge Fund ownership fell 7.5%. Baupost Group, Tortoise Capital, Anchorage Capital, Zimmer Partners, Fairview and 3G all notable concentrated holders with positions over 4% weight. LNG has seen insiders active around the \$59 level with an \$888K buy from the President/CEO in November. In early July, Reuters reported that the US DoT and FERC are not yet prepared to OK the return of two key storage tanks for the company in Louisiana, although a decision to return to service a potential positive catalyst.

### Hawk Vision:



**Hawk's Perspective:** LNG is consolidating below a major potential breakout point for shares and has always held up well versus Energy peers and like the potential in LNG. I would prefer to see some near-term positioning as well before taking a play.

**Confidence Ranking:** \$\$