



Hess Bullish Set-Up Attracts Bullish Positioning

Ticker/Price: HES (\$64.15)

Analysis:

Hess Corp (HES) bullish flow today with 3,850 November \$57.50 puts sold to open down to \$1.48 and name with a lot of longer-term upside positioning in OI despite some mixed flows recently. HES has over 8,000 January \$70 calls, 14,500 January \$75 calls, and 11,500 January \$80 calls in OI from buyers in May, June and July. Shares remain coiled in a multi-month bull flag under \$66/\$67 with a breakout targeting \$75 and the 2018 highs. Longer-term, the five-year base breakout targets \$90/\$100. HES is up around 55% YTD and outperforming the XLE (up 6%). The \$19.5B company trades 8.9X EV/EBITDA, 2.9X sales and 12.75X FCF with a 1.6% yield. HES sees earning over \$2/share in EPS in FY21, up from a \$0.31 loss this year, with revenues above \$7.65B, a mid-teens increase. HES raised production estimates in late July with their Guyana assets yielding better than expected and significant room for further discoveries in the region. Analysts have an average target for shares of \$70. Barclays starting at Overweight on 8-19 with a \$93 PT, comfortable with FCF estimates. Short interest is 4% and down from around 10% in early 2018. Hedge Fund ownership fell 15.65% in Q2. Elliott Management with 16.2M shares, their fourth largest position. The activist fund has been involved for a couple years now pressuring HES to explore asset divestitures or a sale as the company's stock has underperformed. They also want HES to focus its cash usage better on regions where they can drive high-margin production results. Anchor Bolt and Fisher Asset Management other top holders. HES saw a number of insider buys earlier this year, although smaller in size around \$56.75.

Hawk Vision:



Hawk's Perspective: HES relative strength and optionality continues to make it one of the top owns in Oil and holds up better in weaker price environments.

Confidence Ranking: \$\$