



PBF Calls Roll Up Looking for More Upside

Ticker/Price: PBF \$32.30

Analysis:

PBF Energy (PBF) strong run recently and today seeing 2,900 December \$30 calls roll up to the \$34 strike which open for \$1.40/\$1.45. Today's action follows buyers in the December \$31 calls, 1500X, and the March \$32 calls over 1900X within the last week while 4500 January \$40 calls remain in OI from buyers earlier in the year. Shares have rallied sharply off the August lows and fairly extended here with the rising 20-MA around \$29 an optimal spot which aligns with the July breakout level. Longer-term, PBF is clearing a downtrend from the 2018 highs and has a lot of upside beyond a key inflection zone at \$35 with \$40 and then \$45 notable VPOC above. The \$3.68B company trades 6.5X earnings, 0.15X sales, and 11.5X FCF with a 3.8% yield. PBF is entering a period of strong margin growth as they wrap a year-long maintenance plan and prepare to close on the acquisition of the Martinez refinery from Shell. The deal adds new scale in California and overall capacity now over 1M bpd. It also gives them a strong position to supply IMO 2020 compliant fuels. Analysts have an average target for shares of \$40. Cowen upgrading to Outperform on 10-21 with a \$42 PT. The firm thinks PBF has peer-leading leverage to light/heavy crude diffs and that spread should widen as a result of IMO 2020. Goldman upgrading to Neutral in August. Credit Suisse positive with a \$42 PT. The firm is positive on FCF and their overall balance sheet as they close the Martinez deal. Short interest is around 4%. Hedge fund ownership fell 0.50%. SIR Capital and Anchor Bolt Capital notable buyers of shares. Carlos Slim's Invesora Carsa has been adding millions in stock recently adding over \$68.5M since 8-5.

Hawk Vision:



Hawk's Perspective: PBF is a very intriguing play in the refiner space w/ their recent deal and IMO 2020 tailwinds but shares have run way too much in the near-term to get involved here with a new position but with earnings on 10/31, a name on watch to buy any pullback. Areas to target include \$28.65 and \$27.

Confidence Ranking: \$\$