



American Electric Calls Position for Key EEI Meeting

Ticker/Price: AEP \$94.10

Analysis:

American Electric Power (AEP) with 1400 May \$95 calls bought yesterday for \$3.50 and later the ITM \$85 calls bought up to \$10.20 over 600X. AEP has over 4,000 January \$92.50 calls in OI from buyers in July while the November \$95 calls with 2,500 in OI from buyers. Shares are flagging under new highs at \$96 with a move higher targeting \$100 while continuing the massive long-term trend since 2009. The \$46.6B company trades 21.45X earnings, 3X sales, and 2.3X book with strong FCF and a 3% yield. AEP is targeting 4.75% and then 6.5% EPS growth the next two years, industry-leader. AEP has a strong ROE and their investments in renewables have been becoming earnings positive over the last quarter. The company is also benefitting from some accelerated coal retirement. The company has an upcoming catalyst from EEI in November where they'll lay out 2020 guidance and drivers as well as capex details. Analysts have an average target for shares of \$95. Mizuho positive on 9-16 seeing "significant" spending upside associated with its North Central Wind project. BAML positive on 10-25 with a \$106 PT. They think we could get positive rate case updates on TX, IN, MI and AK at EEI in November. The firm also thinks 2020 outlook as critical to firm up confidence after uncertain 1H in EPS. Short interest is 1.4%. Hedge fund ownership rose 6.5% in Q2. Carlson Capital a notable holder.

Hawk Vision:



Hawk's Perspective: AEP sets up well against the 50-MA for a move to new highs with a clear catalyst on the horizon.

Confidence Ranking: \$\$