



Vistra Calls Active into Pullback

Ticker/Price: VST \$26.50

Analysis:

Vistra Energy (VST) buyers of 6,000 December \$26 calls this morning up to \$1 to open and follows buyers in the January \$26 calls recently, over 5000X. Shares have traded strong since early August and pulling back off of Feb/May highs recently around \$27.50. Shares are consolidating this week around the 50-MA and cloud support with a longer-term measured move to \$32 on a breakout. The \$12.94B electric utility trades 11.3X earnings, 1.6X book and 5.85X FCF with a 2% yield. VST has been growing steadily and sees 10% EPS growth in FY20. VST is coming off a strong quarter with better pricing despite mild June and July weather. They continue to see a strong outlook with tighter market conditions, albeit more volatile. VST is undergoing a massive transformation towards clean energy resources. In August, they acquired Ambit Energy for \$475M in a deal that greatly expands their exposure in Texas with a market share now around 32% and an industry-best 26% in all competitive US markets. In August, the CEO said the company would look at all avenues to drive shareholder value including taking the company private. Short interest is 2.7%. Hedge fund ownership fell in recent filings with Brookfield selling 22.8M shares. Pinebridge Investments, Gotham Asset Management, and Luminus top buyers. VST saw insiders active in June with the COO, CFO, and a director buying a combined \$900k in stock around \$23.50-\$24.50. Analysts have an average target for shares of \$32.50 with 9 buy ratings. BAML upgrading to Buy on 11-7 with a \$31 PT. They think the Street is underestimating the impact of higher power prices for the company. They also note that shares are "quite disconnected" from the recent uptick in both Electric Reliability Council of Texas power forwards and PJM Interconnection spark spreads.

Hawk Vision:



Hawk's Perspective: VST looks like it could have more room lower to the 200-day around \$25 and the 50% retracement of the move from August when the CEO made those comments. It's one to keep on radar but more attractive lower.

Confidence Ranking: \$\$