



## Targa Resources Calls Accumulate

**Ticker/Price:** TRGP (\$37.80)

### Analysis:

**Targa Resources (TRGP)** buyers hot for 5000 January \$40 calls \$0.63 to \$0.80 and follows 6,700 of the \$37 calls accumulated with buyers. TRGP also has 7000 January \$43 puts in open interest that were sold to open back in August of 2018. TRGP shares have been depressed most of the year with Energy names and rallying the past week back to the middle of its trading range. The \$8.65B midstream name trades 15X EV/EBITDA and has a 9.8% dividend yield. TRGP sees a return to strong growth in 2020 with forecasts for 24% EBITDA growth. Analysts have an average target of \$44 on shares with short interest elevated at 6.8% of the float. TRGP has one of the largest G&P positions in the Permian and is closely tied to Natural gas Liquids (NGL). On 11/4 Piper started coverage at Neutral with a \$43 target impressed on the progress the company has made but does not see meaningful free cash flow generation until 2021. RW Baird noted in October the company is at an inflection position as capex flows and FCF creeps toward positive on the backs of Grand Prix and Gulf Coast Express. Hedge Fund ownership fell 7.5% in Q3 filings, Tortoise Capital and Harvest Fund concentrated holders.

### Hawk Vision:



**Hawk's Perspective:** TRGP is one of the more attractive midstream names, overall a tough space but seeing flows indicate 2020 may be much better for the group.

**Confidence Ranking:** \$\$