



Exelon Calls Accumulate ITM as Shares Look to Bottom

Ticker/Price: EXC (\$37.20)

Analysis:

Exelon (EXC) with 1,125 June ITM \$32 calls bought today up to \$6.10 and also seeing 325 July \$30 calls bought up to \$8. EXC had 1,500 Jan. \$35 calls bought on 3/23 while the \$40 calls have over 1500 in OI as well. Shares have rebounded from recent lows near \$30 and significant multi-year support. EXC was working out of a big base before the sell-off in March and can catch some significant momentum on a move through \$50. The \$34.68B utility trades 12X earnings and 1X sales with a 4.3% yield. EXC sees revenues growing mid-single digits in FY22, up from flattish performance in FY20, given better forward rates and mix. EXC has undergone a multi-year investment push to modernize their grid which is leading to less downtime, higher retail renewal rates, customer adds and better margins. The company has a notable catalyst to watch in the Illinois state house. Current legislation (the CEPA) is being pushed that would allow the state's nuclear plants to sell clean capacity into the state's current procurement plan outlined in 2018, a major positive for EXC as the largest nuclear operator in the state. The CEPA should be voted on in June and would establish EXC's service territory with a 100% carbon-free goal. Analysts have an average target for shares of \$50. Argus lowering their PT to \$40 on 3-19 but remains long-term positive long-term in a recovery of industrial demand as well as the company's strong yield in the face of a low-rate environment. MSCO keeps EXC as a Top Pick given they would prefer "exposure to low carbon intensity and decarbonization." BMO starting at Buy in February, \$56 PT, while Guggenheim positive earlier in the year noting that the market has yet to price in upside for potential legislative wins or the recently-ordered PJM capacity market reforms. They note the ongoing lobbying probe remains a headwind that could also provide upside at a resolution. Short interest is 1% and down steadily since 2018. Hedge fund ownership rose 4.6% in Q4.

Hawk Vision:



Hawk's Perspective: EXC setting an alert at \$38 level, a stable Utility with a nice yield and potential upside catalyst.

Confidence Ranking: \$\$