



Duke Energy Long-Term Call Buy Sees Rebound

Ticker/Price: DUK (\$79.35)

Analysis:

Duke Energy (DUK) with a buyer of 1000 January \$85 calls to open on 4/2 at \$4.75 which follows the October \$85 calls bought 600X to open on 4/1. DUK also has notable call open interest in April and June. The \$58B Utility leader is down 15% YTD and currently trades 14.2X Earnings, 1.27X Book and yields a 4.87% dividend. DUK has a Debt/EBITDA ratio of 5.5X. DUK shares are holding just above an eight year trend support this week. DUK has been undergoing a massive shift in recent years as they retire coal assets and other underperforming areas and modernize their grid including expansion of natural gas infrastructure and EV pilot programs. They have committed to spending \$37B through 2023 and targeting 4-6% EPS CAGR. DUK also has a potential positive catalyst from a recent SCOTUS decision to hear a case involving the Atlantic Coast Pipeline. Evercore noting on 10-7 that the decision to hear the case is a positive for DUK who is one of the largest co-owners in the ACP. A decision will be mid-2020. DUK's main presence is in Florida, Carolina's, Kentucky, Illinois, and Indiana. Analysts have an average target of \$102 and short interest is 5.4% of the float. On 2/24 Vertical Research started coverage at Buy with a \$112 target. On 2/18 CSFB upgraded shares to Outperform with a \$108 target, raising estimates for higher rate-base growth. Hedge Fund ownership jumped 10.7% in Q4 filings.

Hawk Vision:



Hawk's Perspective: DUK is one of the better financially strong Utility names and offers a solid yield for anyone wanting to gain exposure to the sector.

Confidence Ranking: \$\$