



FEATURED OPTIONS RADAR REPORT



Bulls Position for Further Upside in Anglo-Gold as Gold Prices Stay Strong

Ticker/Price: AU (\$29.90)

Analysis:

Anglo-Gold (AU) afternoon buyers into weakness of 4400 August \$36 calls \$0.85/\$0.90 and follows 1000 January 2022 \$30 puts sold to open at \$7.70 last week. AU also has more than 4000 October \$27 calls bought in open interest. AU shares have been on a strong run since the March lows with a recent weekly bull flag breakout above \$28 that measures to an upside target of \$45. Bloomberg reported last October that AU was weighing bids for its South African assets and a deal has been announced to sell to Harmony Gold for \$300M. The \$12.57B miner trades 7X FY20 EBITDA with a ROIC of 16.75% in 2019 and EBITDA margins rising to 48.9% from 32.8% the last three years. AU posted Q1 production of 716,000oz with strong performance at Geita, Iduspriem, and Kibali. AU continues to optimize margins and divest assets and expecting a ramp-up in production at Obuasi. Net debt continues to fall and was down 10% year-on-year to \$1.6 billion. Analysts have an average target of \$30 and short interest low at 1.8% of the float. Deutsche Bank out with a Buy rating on 6/17 noting AU is a well established producer with a diverse portfolio of 10 producing mines across three continents and the company has made significant strides in simplifying and de-risking the business. It sees valuation at a discount to peers and sees that gap closing through asset sales, project delivery and improved cash flow conversion. RBC noted in late May a potential catalyst is moving the company's primary listing to London from Johannesburg. Hedge Fund ownership fell 7% in Q1 filings.

Hawk Vision:



Hawk's Perspective: AU looks a bit extended and a move back to \$28.75 likely support, a spot of interest.

Confidence Ranking: \$\$