



## FEATURED OPTIONS RADAR REPORT



### Apache Bulls Continue to Build After Historic Discovery

Ticker/Price: APA \$15.05

#### Analysis:

**Apache (APA)** with 10,000 January \$20 calls bought on Friday up to \$1.30 to open and follows buyers in the October \$15 calls over 6,000X and the October \$22.50 calls over 3,000X with sellers of the January 2022 \$10 puts recently over 3,000X. APA has been basing since early June in a weekly bull wedge under the 200-day MA and pulling back last week to cloud support and the 50-day. MACD is starting to turn and RSI is improving back above 50, ready to run with upside through \$16.75 to \$25 and a gap fill from February. The \$5.51B company trades 1.07X sales and 41X cash with strong FCF. APA expects to return to profitability in FY22 and sees topline growth around 10%+ in both FY21 and FY22. APA made a major discovery in April offshore of South American country Suriname, a central area to the company's efforts to diversify away from the Permian. The company said this was the best well drilled to date and comes just across from the recent Exxon discovery in Guyana that had 8 billion barrels. APA is focused on debt-reduction and prioritizing investments for long-term returns. Analysts have an average target for shares of \$17. Evercore ISI upgrading to Outperform on 8/26 citing upside from Suriname, the company's recent world scale discovery. Apache can maintain and lengthen its valuation gap over peers as the company works toward development over the next 12 to 24 months and APA should pursue a multi-rig blend of appraisal and exploratory work that will make for more frequent updates on asset quality and resource potential. Stifel upgrading to Buy in July as Suriname is emerging as world-class resource with company-making potential with the recent discovery the greatest net pay and highest quality reservoir of the three. JP Morgan upgrading to Overweight on 7/23 as they think Apache would be a beneficiary if a moratorium on federal acreage occurs given the company's international footprint in the North Sea and Egypt. Short interest is 3.5% and down from around 13% in May. Hedge fund ownership rose 10% in Q2. Sir Capital and Point72 both adding over 1.35M shares. APA saw a lot of insider buying in 2019 from four different individuals between \$21.75 and \$30. In April 2020, the GC bought \$187K in stock at \$5.69.

#### Hawk Vision:



**Hawk's Perspective:** Energy has been a difficult space to invest in 2020 but I like **APA's** story and optionality with this discovery

**Confidence Ranking:** \$\$