



FEATURED OPTIONS RADAR REPORT



Marathon Petro Size Bull Position Adjust to April

Ticker/Price: MPC (\$39.90)

Analysis:

Marathon Petroleum (MPC) with 20,000 April \$45 calls bought today for \$2.60, adjusting another 10,000 January \$30 calls which adjusted out to buy 40,000 April \$40 calls last week. MPC shares are working out of a small range and firmly back above its 200-day for the first time since February with vaccine progress driving optimism around the economy re-accelerating in 2021. MPC has a big volume shelf at \$41/\$42 and then gap back to \$53. The \$22.58B company trades 15.3X FY22 earnings, 0.28X sales and 36.5X cash with a 6.2% yield. MPC reached a deal in August to sell their Speedway business to 7&I for \$21B which is expected to close in Q1 2021. The deal gives MPC over \$16B in after-tax proceeds and focus now turns to utilizing that capital to strengthen the balance sheet, pay down debt, and explore capital return options. MPC could explore a buyback as much as \$10B. Further, the company continues to simplify their long-term cost structure and invest in renewables including converting older refineries into renewable facilities and ramp production in North Dakota on renewable diesel. Analysts have an average target for shares of \$42, although a number of firms cautious until they see better crack spreads and signs of a demand recovery which should happen in early 2021. Short interest is 4.8% and up from around 1% in early 2019. Hedge fund ownership fell 4% in Q2, Elliott Management a buyer of call options equivalent to around 4M shares. MPC hasn't seen a lot of insider activity in 2020 but a number of large buys at higher prices in 2019 including a \$600,000 buy from a director at \$48.

Hawk Vision:



Hawk's Perspective: MPC shares have risen nearly 50% in a couple weeks so not too enticed to jump into a refiner until it sets back up and retraces some of this move. With that said, **MPC** is the best positioned of the Refiners to enjoy a better environment in 2021.

Confidence Ranking: \$\$