



FEATURED OPTIONS RADAR REPORT



Pioneer Natural Attracts Bullish Positioning for 2021

Ticker/Price: PXD (\$118)

Analysis:

Pioneer Natural (PXD) with another 2,000 March \$100 puts sold to open today down to \$4.80, spot where 2,000 sold yesterday around \$5, and also seeing 1,000 March \$130/\$110 bull risk reversals bought for a small debit. PXD has seen a lot of bull flow since early September and much of it now deep in-the-money with the rally in oil but does have 3,000 January \$100 calls in OI from June pricing around \$15 and close to what they were bought initially. Shares are trending well over the last two months and breaking out of a nine-month base this week above \$112.50 with a longer-term target of \$160/\$170. PXD is likely a bit over-heated in the short-term but a pullback to 1-year value at \$103/\$104 would be an optimal spot for a bounce. The \$17.38B company trades 9.5X EV/EBITDA, 2.25X sales, and 12.5X cash with a 2% yield, one of the better balance sheets in the space. PXD made a nice deal earlier this year for Parsley Energy (PE) which positions them well as one of the four largest firms in the area. CEO Scott Sheffield was at the Reuters Future of Oil conference in early December and noted the two entities are suited well for any pricing environment but he expects to return to pre-pandemic levels by 2022. PXD expects to generate around \$2B of synergies on a PV-10 basis over the next ten years while the combination of their major assets will help lower their reinvestment rate to 65%-75% from 70%-80%. PXD is also an interesting ESG play. The company outlined plans this year to shift most of their Permian production into low-emission strategies with a lower flare intensity, just 0.6% vs peers at 1.7%. They expect to make significant adjustments in the Jagged Peak legacy acreage in 2021 as well as utilize more effluent water which will reduce their dependency on freshwater sources. Analysts have an average target for shares of \$125. Piper raising their PT to \$132 earlier this week, positive on the group as Q3 broadly saw improvement on the operating and capital expense front, and more importantly, in the wake of important strides in the pandemic battle the focus is shifting toward the hope of the demand recovery in 2021. Short interest is 3.2% and consistent with the two-year range. Hedge fund ownership rose 5.5% in Q3.

Hawk Vision:



Hawk's Perspective: PXD a quality name and Energy sure has momentum, seems March popular across other names in the group too, recently writing FANG as well. The group broke out today on the Oil surge, best to wait now to set back up.

Confidence Ranking: \$\$