



FEATURED OPTIONS RADAR REPORT



Bulls Position in AES Corp as Transitions to Lower-Carbon

Ticker/Price: AES (\$25.85)

Analysis:

AES Corp (AES) has seen more than 20,000 January \$27 calls bought to open since 6/18 for over \$3.5M and has also seen smaller call buys in August \$26/\$27 calls and November \$27 calls. The July \$26 calls also have 6500X in OI from a buyer on 6/18. AES shares have a coiled weekly consolidation pattern riding the rising 34-week moving average higher on multiple tests the past few weeks while the \$29 level seen as a key flag breakout. AES is a global energy company with \$34.6B in assets and a distribution of 33% Gas, 27% Coal, 3% Oil and 37% Renewables. AES is taking advantage of favorable trends in clean power generation, transmission and distribution, and LNG infrastructure. AES last year announced a deal to merge its renewables business with sPower development platform, to accelerate the safe, reliable transition to cleaner energy solutions in the country. AES also owns some hidden gems with its Fluence energy storage business and clean energy partnership with Google. The Utility space has been seeing some M&A with **NextEra (NEE)** hunting for deals, so **AES** may be a potential target. AES' six utility businesses distribute power to 2.5 million people in two countries. AES' two utilities in the U.S. also include generation capacity totaling 3,973 MW. The \$17.8B Utility trades 15.3X Earnings and 11.5X EBITDA with a 2.33% dividend yield. Forecasts see EBITDA growth of 5.6%, 7.4% and 8.5% the next three years. AES sees itself very well positioned to capitalize on the shift to low-carbon sources of energy. Analysts have an average target of \$30 and short interest low at 1.4% of the float. SIG recently started shares at Positive with a \$32 target.

Hawk Vision:



Hawk's Perspective: AES has a nice set-up and upside calls are cheap for a Utility that has been catching my eye since November as a unique renewables play.

Confidence Ranking: \$\$