



FEATURED OPTIONS RADAR REPORT



Calls in APA Corp. Position for Suriname Catalyst, Potential M&A

Ticker/Price: APA (\$20.50)

Analysis:

APA Corp. (APA) on 7/6 with a large buy of 20,000 August \$22.50 calls for \$1.13 as the July \$20 calls adjusted and will add to a buy of 10,000 for \$1.69 back on 6/17. APA still has 5870 July \$17.50 calls from a buyer on 11/23 in OI and recently accumulation of 7000 August \$25 calls. APA shares pulled back to start the week and moved under key short term moving averages and VWAP off the April lows while just above a 50% retracement level. APA needs to get back above \$22.15 to become constructive while the weekly view shows consolidation above a rising 21-week moving average with weekly RSI back near 50 support and room to make a big move higher above \$24.40 which is near recent highs and is the anchored VWAP off the Dec. 2016 high. APA's upstream business currently has exploration and production operations in three geographic areas: the U.S., Egypt, and offshore the U.K. in the North Sea (North Sea). The \$7.93B company trades 9.4X Earnings, 4.5X EBITDA and yields 0.49%. APA is focused on debt reduction while updates on its Suriname exploration and appraisals are a focus for investors. APA generated \$520M of FCF in 1Q21 driven by lower than expected capital expenditure. APA announced a fourth discovery at Keskesi East-1 in January with two operating rigs while Bonboni is the next prospect to be drilled. APA has a big footprint in Egypt where it recently had another big discovery and is projecting Egypt gross production will bottom in the second quarter and trend up in the second half of the year. Analysts have an average target of \$27 and short interest is 3% of the float. JP Morgan cut shares to Neutral ahead of appraisal results in Suriname and has a \$27 target. Johnson Rice raised to Buy with a \$38 target on 6/8. Apache has long been seen as a potential takeover target due to its International assets and rejecting an \$18B deal in 2015.

Hawk Vision:



Hawk's Perspective: APA does not stand out as much as other favorites like **PXD**, **FANG** and even **OXY** with its large flows, but an intriguing catalyst and cheap upside calls for a potential big move have me watching.

Confidence Ranking: \$\$