



FEATURED OPTIONS RADAR REPORT



Large Call Buyer is Water Utility Sees 2023 Upside

Ticker/Price: AWK (\$148.50)

Analysis:

American Water Works (AWK) on 4/27 with unusual large trades that bought 1500 each of the December \$145 and \$150 calls at \$14.18 and \$11.28 respectively. The action came after AWK reported quarterly results. AWK is trading right at the VWAP from its highs to close 2021 and a major VPOC sits at \$155 with shares forming a multi-month inverse head and shoulders bottoming pattern that measures to a target of \$190 on a move above \$159.50. The 50% retracement at \$156.50 lines up with a key volume node resistance while weekly MACD is bullish and trending higher. American Water is the largest and most geographically diverse, publicly-traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. The Company also operates other market-based businesses that provide water and wastewater services to the U.S. government on military installations, as well as municipalities. The Company's utilities operate in approximately 1,600 communities in 14 states in the United States, with 3.4 million active customers in its water and wastewater networks. The Company plans to invest between \$30 billion and \$34 billion over the next 10 years for capital improvements, including acquisitions, to its Regulated Businesses' water and wastewater infrastructure, largely for pipe replacement and upgrading aging water and wastewater treatment facilities. AWK has a market cap of \$28.65B and trades 28.9X Earnings, 17.8X EBITDA and yields 1.76%. AWK revenues are seeing rising 6-8% annually the next three years with 7-9% EPS growth. American Water has long been anticipating and preparing for the new PFAS ruling, and with significantly lower treatment level the number of facilities that will require treatment will be larger as will the cost. Analysts have an average target of \$162 with short interest low at 1.9% of the float.

Hawk Vision:



Hawk's Perspective: AWK offers unusual strong growth for a Utility and the December positioning seems to be for the end of year final EPA ruling as a likely catalyst. A low-risk own versus 145.

Confidence Ranking: \$\$