



## FEATURED OPTIONS RADAR REPORT



### Bull Sticks with Leading Steel Producer Amid Domestic Focus, Capital Return Potential

**Ticker/Price:** CLF (\$23)

#### Analysis:

**Cliffs (CLF)** buyer 10,000 July \$25 calls for \$1.34 today as the June \$24 calls adjust and follows buyers recently in the August \$27 calls. The October \$22 calls have also seen bullish flow recently. Shares have pulled back from 52-week highs and basing in a narrow range around the February breakout and low-end of April value. A move back above the 8-EMA this week can set up room to run to \$28. The \$11.8B company trades 5.4X earnings, 0.55X sales, and 4X FCF. CLF is a leading flat-rolled steel producer in the US with exposure to automotive, infrastructure and manufacturing. CLF is coming off a strong quarter with strong execution around supply side actions while their recent deals around scrap around paying off well. CLF also sees longer-term tailwinds from the disruptions in the market from the war in Ukraine which will put more of an emphasis on the domestic steel industry. In April, CEO Goncalves said the company is seriously considering reinstating a dividend as they continue to make progress paying down debt. Analysts have an average target for shares of \$32.50 with a Street High \$47 from B Riley. The firm was out on 4/25 noting they still like the name citing strong Q1 results. The firm continues to see auto demand, continued debt reduction, favorable contract renewals, and the benefits of the company's internal supply of quality metallics through its acquisition of FPT and Toledo HBI plant amid major supply disruption as positive drivers. Short interest is 5.75%.

#### Hawk Vision:



**Hawk's Perspective:** CLF looks excellent here for a quick move back up to the 50-MA near \$27.50 if it can clear this narrow range and gain some momentum again on the longer-term trend

**Confidence Ranking:** \$\$