



FEATURED OPTIONS RADAR REPORT



Natural Gas Bulls Target Marcellus Shale Leader Cabot

Ticker/Price: COG (\$18.48)

Analysis:

Cabot Oil & Gas (COG) traded 14,000 calls on 4/7 which is 11X daily average with the focus on July \$20 calls where more than 11,000 traded on the day in the \$0.70 to \$0.80 range, a name lacking much notable open interest outside of the 2000 January 2023 \$13 ITM calls from December. COG has an interesting chart set-up with a weekly flag setting up just under one-year trend resistance and looking to clear the upper end of this long \$16/\$20 value zone which measures to \$24 upside with a nice volume pocket overhead. COG assets are concentrated in areas with known hydrocarbon resources, which are conducive to multi-well, repeatable drilling programs. COG operations are primarily concentrated in one unconventional play—the Marcellus Shale in northeast Pennsylvania. COG has approximately 175,000 net acres in the dry gas window of the play. The \$7.27B natural gas company trades 12.1X Earnings, 6.6X EBITDA, and 3.33X Book with a 2.16% dividend yield. COG has a differentiated supply cost and strong balance sheet. COG forecasts see 38% revenue growth in 2021 and 76% EBITDA growth. Analysts have an average target of \$21.40 with short interest low at 4.2% of the float. Piper cut to Neutral on 3/15 on a lack of catalysts beyond the recent capital return framework update. JPM has a \$20 target and also downgraded on valuation in February. Aristotle Capital took a large position in Q4 filings.

Hawk Vision:



Hawk's Perspective: COG is worth watching for a move out of this range and with its calls cheap can be good for a quick play, though otherwise the upside potential feels fairly limited.

Confidence Ranking: \$\$