



## FEATURED OPTIONS RADAR REPORT



### Bull Spread Sees Favorable Risk/Reward in Oil FCF Generator

**Ticker/Price:** COP (\$112)

#### Analysis:

**Conoco (COP)** with a large trade on 12/7 that sold 12,735 May \$90 puts to buy the \$120/\$140 call spreads for net \$1.85 debit. COP also recently with a large buy of 4500 June \$105 calls and seen opening sales of May \$120 and \$110 puts. COP has some bearish open interest in June with the \$130 calls short 3450X and the \$110 puts bought 2000X but overall a bullish flow profile. COP is pulling back with Energy names in 2023 but this week trying to hold its rising 200-day moving average as support and put in a strong candle Tuesday though shares remain just under VWAP off the July 2022 low but also basing this week right at a 50% retracement level. Shares have plenty of overhead supply and need to get back over \$118 to inflect bullish but a potential turning point. ConocoPhillips is an independent E&P company headquartered in Houston, Texas with operations and activities in 14 countries. Its diverse, low cost of supply portfolio includes resource-rich unconventional plays in North America; conventional assets in North America, Europe, and Asia; LNG developments; oil sands assets in Canada; and an inventory of global conventional and unconventional exploration prospects. COP has a market cap of \$138B and trades 4.8X EBITDA with a 12% FCF yield and 4.7% dividend yield. Like peers, COP's 2022 is seen as a peak year in the cycle for earnings as it focuses on capital returns and FCF. COP checks all the boxes for sustained outperformance: disciplined investment and consistent return of cash coupled with a high quality, diversified, low cost portfolio that can deliver an attractive combination of FCF and growth. The WSJ reported a month ago that COP may sell its oil in Venezuela where it is owed \$10B, a potential catalyst. Analysts have an average target of \$138 with short interest low at 0.8% of the float. Barclays raised its target to 160 after the latest quarter. Mizuho started at Buy on 1/9 with a \$151 target due to strong balance sheet and peer-leading cash generation.

#### Hawk Vision:



**Hawk's Perspective:** COP is cheap at key support and offers a fat yield, not a bad spot to consider and as someone seeing Oil range-bound, it will likely outperform more volatile peers.

**Confidence Ranking:** \$\$