



## FEATURED OPTIONS RADAR REPORT



### Bulls See Upside into Summer Months for Small-Cap Expanding It's Permian Footprint

**Ticker/Price:** CPE (\$56.25)

#### Analysis:

**Callon Petroleum (CPE)** buyers of 850 July \$75 OTM calls today for \$6.90 to \$7.10, very coiled name above its 200-day. CPE had buyers of 1,350 July \$80 calls on 2/11 for \$835K while the July \$85 calls also bought to open. CPE is consolidating in a narrow multi-week range under \$60 with a breakout targeting the prior highs and then a bigger move out to \$85. CPE has made a strong move since October and clearing a bigger downtrend from the 2017 peak when it traded as high as \$185. The \$2.9B company trades 4.45X earnings, 1.77X sales, and 14X FCF. CPE is focusing on cutting debt in 2022, especially near-term maturities, and lowering their leverage ratio near 2X. CPE operates in the Permian Basin with attractive oil acreage and expanding natural gas and NGL assets. CPE has been expanding their asset base recently through deals including PRIMEXX in 2021 which gives them a number of development opportunities into 2022 and 2023. The company was at the Barclays Energy conference last winter noting that they see Q3/Q4 2021 as major inflection points for production with more wells brought online, especially around the Eagle Ford, their biggest expansion ever. Analysts have an average target for shares of \$65 with a Street High \$77. JP Morgan cut shares to Underweight on 1/21, still concerned about the company's leverage. Wells Fargo upgrading to Equal Weight in November citing their better price realization around NGLs and lower cost of capital. MKM noting in November that they expect CPE to generate about \$2.5B in FCF through 2026. Short interest is 21.5%. Hedge fund ownership fell 2%. Peregrine Capital a buyer of 225K shares.

#### Hawk Vision:



**Hawk's Perspective:** CPE is an interesting name with their recent deals and expansion and sets up well for a potentially big move above \$60

**Confidence Ranking:** \$\$