



FEATURED OPTIONS RADAR REPORT



Exelon Calls Accumulate into Multiple Value Creating Catalysts

Ticker/Price: EXC (\$46)

Analysis:

Exelon (EXC) a name seeing consistent bullish activity with a lot of call accumulation. EXC currently has over 90,000 calls in open interest as compared to 25,000 puts and on 5/24 another 3000 July \$46 calls added to the 4000 bought on 5/21. EXC has also notable June call open interest with 3500 of the \$45 calls from 5/20, 7,825 of the \$46 calls from 5/14 and even 6,800 of the \$48 OTM calls. In July expiration the \$45 calls now at 10,250 in OI with size buys back in January and the \$47 calls have more than 9,500 in OI. EXC shares are trading at multi-month highs and now +9% YTD sitting just below a key volume ledge as it tries to recover to pre-COVID levels and looks to run at least back to the \$50 highs from 2019. Exelon is a utility services holding company engaged in the generation, delivery, and marketing of energy through Generation and the energy distribution and transmission businesses through ComEd, PECO, BGE, Pepco, DPL, and ACE. On February 21, 2021, Exelon's Board of Directors approved a plan to separate the Utility Registrants and Generation, creating two publicly traded companies. Exelon has a \$45B market cap and trades 15.2X Earnings, 10X EBITDA and 1.4X Book with a 3.32% dividend yield. EXC is seeing an improvement in rates, investments across line rebuilds and new projects back on track, and overall remains one of the leading zero-carbon electricity programs in the US, near 2X higher than peer Next-Era (NEE). EXC has several rate cases still in progress, including orders in multiyear plans for Pepco D.C. and Pepco Maryland, which are expected in the second quarter. EXC also continues to have a bit of an overhang with Illinois and proposals for its Nuclear plants. Another upcoming catalyst is the PJM auction to be held later this month. Analysts have an average target of \$50 and short interest minimal at 1.4% of the float. BAML upgraded to Buy in January expecting a re-rate of its core utilities as well as upside value from the GenCo spin-off. On 5-13 Goldman out positive with a \$53 target seeing shares trading at a discount to its implied sum-of-the-parts valuation. Wells Fargo raised its target to \$54 in April noting that Illinois is once again considering clean energy legislation that could include mechanisms to help support Exelon's economically distressed nuclear fleet. Corvex Management further increased its stake in Q1 to its 2nd largest position and 8.28% of its portfolio.

Hawk Vision:



Hawk's Perspective: EXC remains undervalued with a nice yield and plenty of upside catalysts ahead, the calls offer a cheap way to participate in a potential move to \$50.

Confidence Ranking: \$\$