



FEATURED OPTIONS RADAR REPORT



Diamondback Call Spreads See Strength into Year-End

Ticker/Price: FANG (\$94.25)

Analysis:

Diamondback Energy (FANG) the December \$95/\$125 call spread being bought 500X on 6/24 for \$8.05, follows the large bull spreads' earlier in the week including the December \$115/\$135 call spread bought nearly 13,000X for \$3. On 6/21, the December \$90/\$130 call spread was bought 7800X. Shares are breaking out of a multi-week range after pulling back to the 21-EMA and room to \$105 in the near-term, a big high-volume node from 2019. FANG traded up around \$140 in 2018 around its most recent peak. The \$17.2B company trades 8.5X earnings, 5.55X sales, and 11X FCF with a 1.7% yield. FANG has been paying down debt and improving their balance sheet as well with a recent sale of their Williston assets for \$745M, well above the \$600M expected by the Street. FANG is integrating two different mergers at the moment after deals for Guidon Energy and QEP Resources, two deals that will be long-term accretive to FCF. FANG now has the best Midland inventory and Permian infrastructure in the space, positioned well to remain a leading operator in the space. Analysts have an average target for shares of \$90 with a Street High \$120. Scotiabank upgrading to Outperform in late May citing a better outlook for 2021 guidance. RBC noting a potential catalyst in May as they think that the company is on track to reach sub-2.0 leverage ratio before the end of this year, at which point its management could consider increasing shareholder returns with a potential variable dividend. Short interest is 1.75% and near multi-year lows. Hedge fund ownership rose 1% in Q1. Miller Value Partners adding to their stake.

Hawk Vision:



Hawk's Perspective: FANG is an attractive name in the E&P space, always a favorite operator, and they've got plenty of upside as they integrate the two deals, improve on the balance sheet, and target a capital return announcement

Confidence Ranking: \$\$