



## FEATURED OPTIONS RADAR REPORT



### Bullish Long-Term Positions Open in Oil Production Growth Standout

Ticker/Price: HES (\$145.65)

#### Analysis:

**Hess (HES)** with a notable trade on 3/29 when 1150 January \$140 calls were bought for \$1.9M and followed a buyer of 800 January 2025 \$115 calls for \$3.39M on 3/9 while last week the June \$145 and \$140 short puts each opened 500X. HES shares are +2.7% YTD participating in the recent rally in Oil prices and often seen as a more defensive play, shares up 20.5% over the past month. HES has held above VWAP off 2021 lows and now back above all key moving averages, an intact uptrend. HES can target a move to \$179, the 138.2% Fibonacci extension if it clears 2023 highs. HES is a global E&P company engaged in exploration, development, production, transportation, purchase and sale of crude oil, natural gas liquids, and natural gas with production operations located primarily in the United States (U.S.), Guyana, the Malaysia/Thailand Joint Development Area (JDA), and Malaysia. HES is moving away from 'investment mode' from the last two years and into a period of more sustainable, durable cash flow growth. The big key to their long-term outlook is Guyana which is positioned to be one of the highest margin, low-carbon oil developments in the world. HES has a market cap of \$45B and trades 15.8X Earnings, 9.9X EBITDA and 13.95X FCF with a 1.18% dividend yield. Forecasts see revenues down 12.7% in 2023 and then up 23.8% in 2024 with EBITDA -12.2% and +32% respectively. HES management has highlighted differentiated rate of change, strong operational execution across the portfolio, and attractive exploration upside in Guyana & elsewhere. HES remains focused on ESG leadership, with its recent carbon offset agreement in Guyana providing clear line of sight on achieving net zero scope 1 & 2 emissions by 2050. Operations at the first two ships (Liza Destiny and Liza Unity) in Guyana have been strong. HES is currently operating a 4-rig program in Bakken and targeting ~200 Mboe/d by early 2025. HES is on track to deliver ~25% annual cash flow growth over the next 5 years at \$70 Brent, while most E&P peers will stay flat over the same period. Analysts have an average target of \$160 with short interest low at 1.5% of the float. MSCO is at Overweight with a \$156 target and came away positive from recent management meetings.

#### Hawk Vision:



**Hawk's Perspective:** HES with a big recent run, would like to see it come in closer to \$138 for optimal entry, but certainly is a preferred Oil name versus peers.

**Confidence Ranking:** \$\$