



FEATURED OPTIONS RADAR REPORT



After a Run of M&A, Small-Cap Oil Stock Setting Up Well for Higher Price Environment

Ticker/Price: (\$68)

Analysis:

Laredo Petroleum (LPI) smaller but interesting trade today with buyers of 400 December \$70 calls for \$20 to \$20.25, coiled name above its rising 200-MA over the last month and name that has seen some smaller March and April bull flow over the last two months including 500+ March \$80 calls bought yesterday for \$6.80. LPI is in a strong longer-term trend with higher highs and higher low since October 2020 and a breakout off this 200-MA range has room to run to \$90 and then the range measured move to \$125. The \$1.15B company trades 3X earnings, 1X sales, and 3X FCF. LPI is a smaller operator in the Permian Basin with 133K acres. LPI has been active with M&A since early 2021 buying assets from Sabalo Energy and over 20K acres from Pioneer Natural for \$230M. The moves have expanded their higher-margin, oil-weighted inventory in the region and boosted FCF assumptions for 2022 and 2023. LPI is also executing well on a cost-savings and efficiency plan which is allowing them to cut debt, utilize their assets more effectively and better manage their balance sheet. LPI is also expanding their ownership in tangential areas like sand as well which will cut down on completion costs and give them greater control over essential supplies. Analysts have an average target for shares of \$75 with a Street High \$100. Piper with an \$81 PT for shares noting that while 2021 was largely anticipated to be a balance sheet repair year, stronger than expected commodity prices have pulled forward shareholder return plans and allowed for operators like LPI to shift into maintenance mode. Raymond James has a \$100 PT for shares as they think LPI can generate more than \$250M of FCF in 2022. Short interest is 13.5% and down from 17.5% in September. Hedge fund ownership rose 4% last quarter. Maple Rock Capital with 715K shares.

Hawk Vision:



Hawk's Perspective: LPI has an explosive look under the \$74-\$75 range and the 200-MA presents a nice risk/reward with energy continuing to hold up well

Confidence Ranking: \$\$