



## FEATURED OPTIONS RADAR REPORT



### Large Call Buys See Capital Return Bull Case for Leading Refiner

Ticker/Price: MPC (\$123.47)

#### Analysis:

**Marathon Petro (MPC)** on 11/23 with a large buyer of 2000 January 2024 \$120 calls for nearly \$5M taking a long-term bullish view and recently has seen short-term bullish flows in Dec. 23<sup>rd</sup> (W) and Dec. 30<sup>th</sup> (W) calls bought. MPC also with 2000 January 2024 \$90 calls bought back in March still in open interest valued over \$10M. MPC has been riding its 8/21 moving averages higher for weeks now and although extended is consolidating once again. MPC shares are near new highs and the next Fibonacci extension above the recent 1.382 touch at \$128 is the \$136.80 level. MPC is a leading, integrated, downstream energy company that operates the nation's largest refining system with approximately 2.9 million barrels per day of crude oil refining capacity and is one of the largest wholesale suppliers of gasoline and distillates to resellers in the United States. Its operations consist of two reportable operating segments: Refining & Marketing and Midstream. MPC sold Speedway in May 2021 for \$21.38B. MPC owns and operates refineries in the Gulf Coast, Mid-Continent and West Coast regions of the United States. MPC has a \$58.3B market cap trading 7.8X Earnings, 5X FY23 EBITDA and with a 13% FCF yield seen next year along with a 2.43% dividend yield. MPC, like many energy peers, is forecasted to see results decline sharply in 2023 off a peak year. Management commentary continues to suggest that capital return remains a top priority, as MPC confirmed plans for continued share buybacks moving forward and is also raising its dividend. US refiners are in the midst of a reset in mid cycle earnings, anchored on a relative natural gas advantage vs int'l peers. MPC valuation could close the gap with peers as its dividend rises. MPC finished the quarter with \$11.1bn of cash and total debt of \$6.9bn leaving ample room or continued cash returns. Another potential upside catalyst is the rumored buyout potential of its Midstream business MPLX. Analysts have an average target of \$135 with short interest at 3.1% of the float. Piper raised its target to \$153 from \$111 citing persistent market tightness keeping margins healthier in 2023.

#### Hawk Vision:



**Hawk's Perspective:** MPC bull case should remain in focus but clearly would prefer to see some weakness to be a buyer, ideally near \$110 but not certain it can pull back that far.

**Confidence Ranking:** \$\$