

## SPOTLIGHT OPTION TRADE



### Optimal Entry Point in Utility Pushing into Renewables

#### TRADE SNAPSHOT

TICKER	NRG
SECURITY	NRG Energy
SECTOR	Utilities – Power Generation
CURRENT PRICE	\$38.50
LONG/SHORT	Long
TARGET	\$48
STOP	\$35
TIMEFRAME	3 Months

**Trading Strategy:** Long NRG June \$40 Calls at \$2.15 or Better

**Net Debit/Credit:** Debit \$2.15

**Profitability Zone:** NRG Above \$42.15 on June OpEx

**Options Volatility / Trade Simulator View:**





**Technical Analysis:** NRG has pulled back to optimal entry at trend support as well as VWAP off the March 2020 lows while showing some relative strength last week with daily RSI breaking above the 50 level. Shares look poised to keep the trend of higher highs.



**Fundamental Analysis:** NRG is an integrated power company built on dynamic retail brands with diverse generation assets. NRG brings the power of energy to customers by producing and selling energy and related products and services, in major competitive power and gas markets in the U.S. and Canada. NRG operates under the brand names NRG, Reliant, Green Mountain Energy, Stream, and XOOM Energy, as well as other brand names owned by NRG, supported by approximately 23,000 MW of generation. NRG faces some recent struggles with outages, supply chain headwinds and rising costs but sees 2022 as a positive inflection year with integration of Direct Energy boosting their services scale while they expand power and natural gas products into new regions. NRG outlined a big 5-year growth plan last year with a focus on decarbonization and a push towards more clean energy. NRG announced a \$1B buyback in December. NRG has a market cap of \$9.3B and trades 9X Earnings, 2.6X Book and 8X EBITDA with a 3.38% dividend yield. Estimates are for EBITDA to rise 6.7% in 2022 and 9% in 2023. Analysts have an average target of \$45 with short interest at 4.5% of the float.

**Options Activity:** NRG has massive January 2023 and January 2024 calls positioned for long-term upside as well as 10,000 June \$45 calls.

Date	Description	Volume	Open.Int	Price	Delt	Impl Vo	Prob.ITN	Premium Paid	Symbol	Current Price	Current OI
1/27/2022	NRG 100 16 SEP 22 44 CALL	1,532	1	\$2.05	0.379	38.75%	27.17%	\$314,060	.NRG220916C44	\$1.30	1,500
1/21/2022	NRG 100 20 JAN 23 50 CALL	15,262	837	\$1.47	0		0.00%	\$2,243,514	.NRG230120C50	\$1.30	15,954
1/13/2022	NRG 100 20 JAN 23 40 PUT	500	58	\$5.05	-1		100.00%	\$252,500	.NRG230120P40	\$6.51	660
1/5/2022	NRG 100 19 JAN 24 55 CALL	15,058	20,640	\$3.35	0		0.00%	\$5,044,430	.NRG240119C55	\$1.88	31,695
1/3/2022	NRG 100 19 JAN 24 55 CALL	20,275	3	\$3.10	0.31	31.79%	17.83%	\$6,488,000	.NRG240119C55	\$1.88	31,695
12/6/2021	NRG 100 20 JAN 23 37 PUT	577	58	\$6.10	-0.412	37.29%	58.50%	\$351,970	.NRG230120P37	\$4.70	487
11/30/2021	NRG 100 17 JUN 22 38 CALL	1,119	38	\$2.75	0		0.00%	\$313,320	.NRG220617C38	\$3.30	1,076
11/24/2021	NRG 100 17 JUN 22 45 CALL	10,024	18	\$1.22	0.25	33.92%	17.50%	\$1,253,000	.NRG220617C45	\$0.60	10,353
11/18/2021	NRG 100 20 JAN 23 35 CALL	10,003	235	\$5.00	0		0.00%	\$5,001,500	.NRG230120C35	\$6.17	10,215
11/9/2021	NRG 100 19 JAN 24 28 CALL	1,000	1	\$9.70	0.728	34.86%	51.62%	\$970,000	.NRG240119C28	\$14.80	825
11/8/2021	NRG 100 20 JAN 23 30 CALL	1,020	741	\$7.40	0		0.00%	\$754,800	.NRG230120C30	\$9.50	1,022
10/19/2021	NRG 100 19 JAN 24 33 CALL	850	0	\$9.55	0		0.00%	\$811,750	.NRG240119C33	\$7.70	498
10/6/2021	NRG 100 19 JAN 24 45 CALL	2,645	9	\$5.20	0.456	32.75%	27.94%	\$1,375,400	.NRG240119C45	\$4.80	4,976
6/24/2021	NRG 100 (Weeklys) 14 APR 22 40 CALL	2,238	119	\$2.90	0.437	33.70%	32.49%	\$649,020	.NRG220414C40	\$1.20	2,351
6/17/2021	NRG 100 20 JAN 23 42 CALL	604	30	\$3.70	0		0.00%	\$247,640	.NRG230120C42	\$2.85	3,089
5/18/2021	NRG 100 20 JAN 23 30 PUT	900	398	\$4.38	-1		100.00%	\$423,000	.NRG230120P30	\$2.20	2,825
5/4/2021	NRG 100 20 JAN 23 30 PUT	421	81	\$4.20	-1		100.00%	\$176,820	.NRG230120P30	\$2.20	2,825
4/1/2021	NRG 100 20 JAN 23 30 CALL	301	93	\$10.00	0		0.00%	\$304,010	.NRG230120C30	\$9.50	1,022

**Potential Catalysts:** Earnings Early May

## **Disclaimer:**

### **Not Investment Advice or Recommendation**

*Any descriptions "to buy", "to sell", "long", "short" or any other trade related terminology should not be seen as a recommendation. The Author may or may not take positions in any of the names mentioned, and is not obligated to disclose positions, nor position sizes.*

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