



FEATURED OPTIONS RADAR REPORT



NRG Energy Attracts Long-Term Bulls Amid Transformation

Ticker/Price: NRG (\$37.50)

Analysis:

NRG Energy (NRG) trading 4X average calls on 6/24 with buyers in the January \$42 calls for \$1.60, over 1600X, and later 2000 April 2022 \$40 calls bought for \$2.75. NRG recently had 13,000 September \$42 calls bought up to \$0.90. Shares pulled back to the December breakout zone and bounced strong before consolidating in a bull flag above the 8-EMA. NRG had a reversal day yesterday and move above \$38 key for a run into a gap from March that stretches back to \$42. The \$9.6B utility trades 6.5X earnings, 0.6X sales, and 19X cash with a 3.45% yield. NRG launched a transformation plan in 2017 which expanded on their plans to focus more on clean energy and cutting debt. Now, the focus turns to becoming more consumer focused and in 2020 they completed a \$3.6B deal for Direct Energy, a retail electricity distribution firm. The deal accelerated their shift into becoming a more integrated energy provider while boosting FCF and earnings diversification away from Texas. It also added to their retail platform with more than 3M customers now. Analysts have an average target for shares of \$48 with a Street High \$57. Seaport Global positive on 6/21 noting that NRG has transitioned from an independent power producer with 50GW of power plants to a consumer company focused on home services, with just 7GW in owned power plants. The analyst believes the shares should trade at least at 20X 2023 EBITDA and not the current 6X. Short interest is 5%. Hedge fund ownership rose 3% in Q1, Lyrical Asset Management with over 4M shares.

Hawk Vision:



Hawk's Perspective: NRG is attractive short-term against the 8-EMA and shares seem cheap give the longer-term upside as they deleverage

Confidence Ranking: \$\$