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Unusual Upside Call Spreads in Renewable Utility Play

Ticker/Price: ORA (\$73.25)

Analysis:

Ormat Technologies (ORA) has seen very unusual accumulation of 5000 March \$75/\$85 call spreads bought since 1/2 and back on 10/17 the March \$70 calls bought 900X and remain in open interest. ORA shares recently traded up to a declining 200-MA and failed to clear the level, above \$77 leaves room back to the \$85 upside target of the call spreads. Ormat is a leading vertically integrated company that is primarily engaged in the geothermal and recovered energy power businesses. ORA seeks to become a leading global provider of renewable energy. Electricity is 76.8% of revenues where ORA develops, builds, owns and operates geothermal, solar PV and recovered energy-based power plants. The Product segment is 21% of revenues, equipment for geothermal and recovered energy-based electricity generation and remote power units and provide services relating to the engineering, procurement and construction of geothermal and recovered energy-based power plants. ORA also has a small Energy Storage segment. ORA is the 2nd largest geothermal play in the World and sees 9X potential capacity versus the current installed. ORA has a market cap of \$4.4B and trades 30.25X Earnings, 13.2X EBITDA and 1.95X Book with a 0.66% dividend yield. Revenues are seen rising 11.6% in 2024 with 11.4% EBITDA growth, a top growth name in the Utility sector. ORA continues to add capacity and is seeing strong pricing. Analysts have an average target of \$81 with short interest elevated above 6% of the float. Roth MKM with an \$80 target is positive on the \$271M acquisition of geothermal and solar assets from Enel Green Power North America.

Hawk Vision:



Hawk's Perspective: ORA March call spreads are priced at < \$3 offering a nice risk-reward play in an intriguing growth name in Utility that would make a nice M&A target for a large Utility looking to increase renewable exposure.

Confidence Ranking: \$\$