



## FEATURED OPTIONS RADAR REPORT



### Bullish Open Interest in Diversified E&P with Capital Return Drivers

Ticker/Price: OVV (\$35.90)

#### Analysis:

**Ovintiv (OVV)** nice pullback recently to the rising 50-MA and name with notable bullish flow in open interest including 3000 January \$45 calls, 4000 January \$35 calls, and the January \$38/\$50 call spread 17,000X from 10/6. Shares rallied off the 200-day MA in August up to new highs and now pulling back in a very orderly fashion with the prior breakout level and 50-MA aligning around \$33.50-\$34.50. A move above \$36.75 key to resuming a run back to the prior highs and into monthly value with \$39.25 and \$40 early targets above. The \$9.6B company trades 4.6X earnings, 1.5X sales, and 6X FCF with a 1.55% yield. OVV – the former Encana – is a leading E&P firm with focus on assets across the Permian, Anadarko, Eagle Ford and Montney fields. OVV has been taking advantage of the better price environment to drive strong FCF while focusing on more disciplined capital spending and boosting efficiency at their drilling sites. OVV announced plans in early November to boost capital as they hit their debt targets and focusing more on stock buybacks while bolt-on M&A within their basins are also in play. Analysts have an average target for shares of \$47 with a Street High \$54. Mizuho raising their Pt to \$54 on 10/26 and Seaport starting at Outperform on 9/23 noting that their focus on debt pay-down, while divesting assets and focusing its operations, have left a leaner entity, though still diversified. OVV returns remain compelling in its core assets which should drive FCF. BAML positive in August as the firm likes their deleveraging plans and sees an improvement in Ovintiv's cost of capital, which is the highest in the peer group. Hedge fund ownership rose 9.5% last quarter. Ceredex Value a buyer of 1.2M shares while Maple Rock Capital and Point72 both notable buyers too. OVV has seen a lot of insider buying since early 2020 including a director adding \$130K in August \$25.50. Short interest is 2.5%.

#### Hawk Vision:



**Hawk's Perspective:** OVV is back at an optimal entry point for a swing back to the recent highs and flows supportive of a move back through \$40+ with crude oil forming a nice base at the low-end of monthly value

**Confidence Ranking:** \$\$