



Bullish Call Accumulation in Total SA

Ticker/Price: TOT (\$53.5)

Analysis:

Total SA (TOT) spread this morning buys the December \$55/\$62.50 call spread and sells the \$45 puts 1,200X and follows accumulation of more than 3,000 February \$55 calls and 1,700 of the \$57.50 calls ahead of 2-7 earnings. TOT also has 1,000 May \$57.50 calls in open interest from buyers and 1,800 of the December \$60 calls bought in October. Shares traded as high as \$65 in late 2018 before pulling back and near a key breakout spot from 2017 around \$50. TOT cleared the downtrend in early January and a move above \$55 key to re-testing the 200-day around \$57.50 and then major support, now resistance, at \$60. The \$145B international oil giant trades 9.5X earnings, 0.80X sales, and 5X cash with a 5.45% yield. TOT expects double-digit EPS growth in FY20 and reported their highest quarterly income since 2012 in October with 27% growth in revenue and production up 8.6%, outpacing peers. TOT is focused on FCF generation with their downstream business exceeding expectations last year at nearly \$5B. The company is also diversifying rapidly into a profitable low-carbon electricity business with acquisitions in natural gas and renewables. They also announced a 50/50 JV in India to develop LNG terminals and significant scale and first-mover advantage in the fast-growing market. Analysts have an average target for shares of \$52 with 14 buy ratings and 3 hold ratings. BAML upgraded shares to Buy on 12/11 while Deutsche Bank upgraded as well seeing robust cash flow growth in 2019. Simmons started coverage at Overweight in October with a \$70 PT. The firm thinks TOT has peer leading production growth, which has insulated underlying results and performance during the downturn. They also think their countercyclical actions like the 3.66% equity stake from Maersk are positive. Short interest is at its lowest level since 2001. Institutional ownership rose 402% last quarter. Fisher Asset Management a buyer of 15.7M shares.

Hawk Vision:



Trading Strategy: TOT has some attractiveness on a value/yield basis, but still uncertain on the health of Oil fundamentals, and not a very quick mover, so is more of a long term investment in shares name.

Confidence Ranking: \$\$

