



## Devon Energy Bulls Adjust Positions

**Ticker/Price:** DVN (\$29.65)

### Analysis:

**Devon Energy (DVN)** with 10,000 July \$34 calls bought today for \$1.23, rolling up the April \$28 calls into strength and seeing further upside as the name. DVN had buyers last week of 2,000 May \$30 calls, the July \$34/\$40 call spread, and size adding to the April \$30 calls. We also saw 1,000 May \$30 puts sold to open. Shares are working out of a long downtrend from the June/July highs with shares back above cloud resistance for the first time in eight months. DVN has room back to the 200-day at \$35 in the near-term with shares pulling back from last week's gap higher to test the 8-EMA. The \$14B company trades 4.9X EV/EBITDA, 1.3X sales, and 5.8X cash with a 1.08% yield. DVN announced plans to exit the Canadian oil sands last week by selling or spinning off their Barnett shale assets, a positive step towards simplifying their structure and remove a headwind from Alberta production curbs. DVN has plenty of potential buyers for the assets including Imperial, Suncor, and Husky Energy and the sale will help firm up the balance sheet and fund a more aggressive capital return plan. Estimates for the sale range from \$3-\$4B up to \$9B. DVN has a short-term goal of \$780M in cost savings by 2021 and their more narrow-focus will makes them a preferred play in the US. Analysts have an average target for shares of \$46.75 with 16 buy ratings, 11 hold and 1 sell ratings. CSFB has a \$33 PT. They think DVN should generate a FCF surplus around ~\$400M this year and other asset sales to watch include an update on their Rockies CO2 assets which have upside to estimates. The firm is also positive on upside to their oil growth targets. Institutional ownership rose 25% last quarter. Short interest is 2.9%. Shares trade at a discount to the last big insider buy, a \$502K investment in June 2018 at \$41.90.

### Hawk Vision:



**Trading Strategy:** DVN was a consolidation I noticed in weekend scans and set an alert above Thursdays high, though adjusting to a lower exposure position not overly bullish, so probably remain patient with Energy names weakening.

**Confidence Ranking:** \$\$