



Parsley Energy Bullish Positions Accumulate as Oil Strengthens

Ticker/Price: PE (\$19)

Analysis:

Parsley Energy (PE) more size call buying with 6,335 March \$20 bought up to \$1.10 with 10,206 in OI and also with 1,400 June \$20 calls bought to open \$2.05 to \$2.10, shares rallying after the call purchases and has seen 2,500 March \$20/\$15 bull risk reversals open as well as sizable February \$17.5 and \$20 calls. Shares fell to the lowest level since 2015 with the weakness in Oil late 2018 and rebounding the last four weeks now above the 8 week MA and nearing a bull MACD crossover. Shares have a nice volume pocket to make a run back to the \$22/\$24 zone. The \$6.11B Co. trades 5.7X FY19 EBITDA, 12.8X Earnings and 0.96X Book with a strong balance sheet. PE will next report in late February. It has seen Directors purchasing a lot of stock in Q4 2018. PE expects 28.5% revenue growth in 2019 as they ramp production in the Permian and continue to integrate recent acreage deals. The company has been boosting spending to tackle temporary labor issues and well costs due to tariffs but production continues to improve and set up well into 2019 as logistics issues in the region ease. PE is seeing record operating margins, peer-leading price realization through hedges, better capacity per well, and increased cycle times as they have become more efficient through the last two-years. Analysts have an average target of \$30 on shares and short interest at 5% of the float has jumped 55% Q/Q. Barclays started coverage this week at Overweight with a \$38 target as a pure-play in the Permian with high growth and strong operations. Imperial cut its target to \$33 from \$45 on 1/4 to reflect lower Crude prices noting the Co. is transitioning to development mode from growth mode and sees a significant step towards FCF generation. Citi upgraded to Buy on 12/21. Hedge Fund ownership fell 11.65% last quarter, Viking Global exiting a large position and Point 72 reducing. Bloomberg discussed last June how the Permian pure-plays could be attractive M&A bait at these discounted valuations.

Hawk Vision:



Trading Strategy: PE consistent flow is becoming notable and shares looking to move out of this small flag with room to run, a volatile Oil play, but one of the better stories if Crude can hold up.

Confidence Ranking: \$\$