



FEATURED OPTIONS RADAR REPORT



Bullish Positioning in MLP with Oil Exposure, Upside to Estimates, and Capital Allocation Driver

Ticker/Price: PAA (\$10.70)

Plains American (PAA) seeing some bullish positioning with 3300 May \$10 calls bought on 1/25 and the August \$11 calls have accumulated 6500X since 1/10. PAA also has more than 13,000 Jan. 2024 \$15 calls in open interest from buyers last October and 5800 January 2023 \$7 calls. PAA shares have held key support near \$8.85 the past year and looking to break out past the trend of lower highs with a close above \$10.90 targeting a move to \$13. PAA is one of the largest midstream service providers in North America with an extensive network of pipeline transportation, terminalling, storage and gathering assets in key crude oil and natural gas liquids producing basins (including the Permian Basin) and transportation corridors and at major market hubs in the United States and Canada. The Permian is positioned to drive the vast majority of U.S. short-cycle production growth in 2022 & beyond. PAA allocated FCF in 2021 to reduce debt and is now focused on higher cash returns to shareholders. PAA has a market cap of \$7.8B with shares trading 8.3X Earnings, 8X EBITDA and 9.3X FCF with a 6.77% dividend yield. PAA forecasts see EBITDA growing > 7% in 2022 driven by stronger Transportation volumes. At 3.9X Debt/EBITDA PAA is positioned to announce incremental capital allocation plans in 2022. PAA is one of the more sensitive MLPs to oil prices. Analysts have an average target of \$14 with short interest at 5.5% of the float. Goldman rates shares a Buy with a \$16 target seeing shares cheap to peers with upside catalysts. Bernstein upgraded to Outperform with a \$14.50 target this week citing Permian growth. Evercore upgraded to Outperform with a \$14 target in November expecting 10-15% EBITDA growth in 2022.

Hawk Vision:



Hawk's Perspective: PAA is an intriguing value offering a nice yield as a stock holding, while May \$10 calls around \$1 do seem cheap for a push to \$13-\$14.

Confidence Ranking: \$\$