



## FEATURED OPTIONS RADAR REPORT



### Bullish Flow Seen in Depressed Valuation Diversified Energy Co.

**Ticker/Price:** PSX (\$71.80)

**Phillips 66 (PSX)** saw late week bullish flow with 1250 May \$65 puts sold to open for \$575K premium and nearly 1200 January 2023 \$87.50 calls bought to open for \$450K premium. PSX does not have a lot of notable open interest and did see 1000 January \$80 puts bought on 11/16 that are +70%. PSX has been in a choppy range most of the year and the last few weeks basing right above VWAP off the March 2020 lows and above \$75 could start a nice move higher. PSX is a diverse Energy leader with four operating segments: Midstream, Chemicals, Refining and Marketing/Specialties. PSX has a market cap of \$31.35B and trades 10.45X Earnings, 9.6X EBITDA, 1.75X Book and 20.75X FCF with a 5% dividend yield. Forecasts see PSX growing EBITDA another 36.8% in 2022 after 159.6% growth in 2021 as the energy markets rebounded. Analysts have an average target of \$95 with short interest low at 2% of the float. Goldman recently put shares in its Conviction Buy List seeing it as a potential leader to laggard in 2022 seeing cheap valuation, a strong yield and capital discipline. Goldman has an \$89 target noting the core refining business is being valued at 1X EBITDA versus peers at 3X-4X. Investors remain skeptical of PSX's refining profitability given recent operational concerns and distillate weakness. JP Morgan upgraded to Overweight with a \$93 target on 12-8 seeing the company turning the corner after a challenging year and expects the valuation gap to close as margins improve.

#### Hawk Vision:



**Hawk's Perspective:** PSX looks to be basing and a close above \$73 would be a good entry versus the \$68 level for a cheap value, high yield name that could re-rate in 2022.

**Confidence Ranking:** \$\$