



FEATURED OPTIONS RADAR REPORT



Multi-Energy Company Draws Bullish Positioning

Ticker/Price: PSX (\$87.20)

Analysis:

Phillips 66 (PSX) recently into weakness with 750 January \$82.50 calls bought, 1000 January \$87.5 calls bought, and 2000 August \$82.50 calls bought while 5000 August \$90 calls bought on 7/6 remain in open interest ahead of earnings 7/29. PSX also has 3500 November \$90 calls in open interest from buys in April. PSX shares have pulled back with Energy names recently but bounced right at VWAP off 2020 lows and last week moved back above 1-year VPOC and its 200-day moving average with VWAP off highs near \$90 a likely initial upside target. PSX has closed lower eight of its last ten earnings reports. PSX is a diverse Energy leader with four operating segments: Midstream, Chemicals, Refining and Marketing/Specialties. PSX has been focusing on growth within their Midstream and Chemicals units while investing in their low-carbon strategies through Emerging Energy which includes building out core strategies around renewable fuels, batteries, carbon capture, and hydrogen. The \$41B energy company now trades 8.3X Earnings, 4.8X EBITDA and with a 12% FCF yield and 4.6% dividend yield. PSX EBITDA is seen rising 77% this year but seen falling 25% in 2023 with peak cycle being priced into shares and is a low margin business (EBITDA Margins 5.5%) with net debt to EBITDA at 2X. At a JPM Conference in June the company noted the strong demand coupled with tight capacity and not much new capacity seen coming online. Refining stocks have declined steeply recently due to mounting recession fears with concerns on durability of record profits for the group. Over the past month, crack spreads have declined materially and have now settled back to roughly the levels seen heading into 1Q earnings. PSX's multi-line business model allows flexibility in capital allocation through cycle, in addition to stabilizing earnings and cash flows. Analysts have an average target of \$115 with short interest low at 2.3% of the float. Barclays raised its target to \$113 earlier this month expecting strong numbers on crack spread backdrop, high utilization and better margins. BMO started PSX at Outperform in June with a \$132 target saying valuation doesn't adequately reflect the company's higher-multiple midstream or marketing and specialty businesses. Hedge Fund ownership jumped 13.9% last quarter.

Hawk Vision:



Hawk's Perspective: PSX is tradable versus the 200-MA which provides low-risk stop but overall want to focus on names with accelerating growth into 2H22 and 1H23.

Confidence Ranking: \$\$