



FEATURED OPTIONS RADAR REPORT



Bulls Position for Positive Management Tone in Utility Transitioning from Coal

Ticker/Price: SO (\$64.55)

Analysis:

Southern Co. (SO) unusual activity on 7/27 as 3000 September \$65 calls were bought \$1.36 as the August \$63.50 calls bought on 7/19 adjusted, the only real notable open interest in the name with utilities showing some strength this week. SO shares have a long weekly rising wedge pattern and broke out of a base last week with continuation this week and room up to \$67. SO will report 7/29 pre-market and has closed higher the last two reports, though not typically a big mover averaging a 2% move. The \$66.5B Utility trades 18X Earnings, 2.37X Book, 13X EBITDA and yields a healthy 4.15% dividend. SO revenues are seen growing 7.8% in 2021, best since 2017 with EBITDA set to rise 5.7% after climbing 10.6% in 2020. An expected SO catalyst, the in-service date for the Vogtle unit, was moved to December 2021. SO also is expecting a key Georgia rate case next year. The construction process of these nuclear projects and the progress in 2H21 are seen key to the stock and expect updates on the earnings call. Analysts have an average target of \$68 with short interest low at 1% of the float. BAML upgraded to Buy back in January seeing management confident in hitting the regulatory in-service date of Nov. '22/23. Mizuho lowered its target to \$59 in June after the delay. Barclays a bull raising its target to \$76 in May seeing shares undervalued. Argus positive in May raising its target to \$73 noting it will be improving energy generation mix through coal plant retirements, nuclear plant development and an increased focus on renewables.

Hawk Vision:



Hawk's Perspective: SO has clear momentum higher and upside calls are cheap though not an overly exciting name and tend to always lean to NEE when playing Utility stocks.

Confidence Ranking: \$