



## FEATURED OPTIONS RADAR REPORT



### Large Bull Buys into Canadian Energy Leader Under Activist Pressure

Ticker/Price: SU (\$38)

#### Analysis:

**Suncor (SU)** more bull flow today as 10,000 July \$41 calls bought here for \$1.50, name holding up well near recent highs. SU has seen buyers of 15,000 January 2024 \$37 calls this week in a large adjustment trade while the June \$40 calls bought on Friday over 14,000X. Shares are showing relative strength after hitting new 1-year highs this week and trading well above its rising 8-EMA. On a longer-timeframe shares are back at the highs from 2018 and above \$39/\$40 can make a run at a bigger measured move out to \$60. The \$53.45B company trades 6.65X earnings, 1.6X sales, and 10X FCF with a 3.75% yield. SU is a leading integrated energy company in Canada with vast exposure to the Athabasca oil sands. They also have notable operations in Libya and Syria. SU is coming off a strong quarter with the highest cash flow in company history. SU is the focus of a recent activist push from Elliott Investment Management who has called for a strategic review and potential management changes. The firm thinks SU has plenty of potential to unlock the value of high-multiple assets outside of core Oil Sands business, including a strategic review of retail, but management has been an impediment to progress for years. Analysts have an average target for shares of \$42 with a Street High \$51. BAML starting at Buy in January noting that they like the "old school" integrated company with a strategy intended to maximize value of regional crude through refining that now offers about a 5% yield that pays investors to wait on the 'show me' story on delivery of a \$2B free cash expansion. Wells Fargo a bull on the name citing a combination of valuation and expectations for a more normalized production outlook in 2022/2023. Short interest is 0.55%. Hedge fund ownership fell nearly 15% last quarter. Elliott Investment a buyer of 10M shares while Third Point added a new 3.5M share position. Soros also adding a new position.

#### Hawk Vision:



**Hawk's Perspective:** SU is a rare bright spot in a market that has been under pressure recently and think despite the strong results, pressure will continue to build to take some strategic action and a dip back into the \$34/\$35 range sets up a nice risk/reward

**Confidence Ranking:** \$\$