

Continental Bulls Accumulate Positions Ahead of Key Well Update



Date: 1/24/19

Continental Resources shares have rallied off the recent lows and now consolidating in a bull flag above its 13- and 20-EMA. A breakout above \$48 has room back to the 200-day EMA at \$53 while larger inverted head-and-shoulders targets \$56+. RSI is back around 50 and MACD is healthy but not overbought, room to run. The weekly shows a series of higher lows since 2016 and channel target of \$72.50 with a bullish MACD crossover recently. CLR has seen a number of bullish positions in the options including the March \$37.5 puts sold to open 2,500X to buy 2,500 of the \$50/\$57.5 call spreads on 1/22 and the \$50 calls bought another 2,000X earlier in risk reversals with the \$42.50 puts on 1/8. The Jan. 2020 \$55 short puts opened on 1/10 and the \$50 calls on 1/24.

Date	Description	Volume	Open.Int	Price	%Change	Delta	Impl Vol	Prob.ITM	Premium Paid
1/24/2019	CLR 100 17 JAN 20 50 CALL	500	57	\$6.20	-11.43%	0.53	40.44%	36.88%	\$310,000
1/22/2019	CLR 100 15 MAR 19 50 CALL	2,517	1,953	\$1.60	-30.43%	0.34	41.96%	28.28%	\$402,720
1/17/2019	CLR 100 15 MAR 19 45 PUT	1,052	1,256	\$2.50	0.81%	-0.38	45.09%	44.48%	\$268,260
1/14/2019	CLR 100 15 FEB 19 47.5 CALL	1,010	717	\$2.10	0.00%	0.48	44.11%	43.21%	\$212,100
1/10/2019	CLR 100 17 JAN 20 55 PUT	500	31	\$12.00	-35.10%	-0.56	40.29%	69.85%	\$600,000
1/8/2019	CLR 100 15 MAR 19 50 CALL	1,503	391	\$2.60	20.93%	0.42	46.75%	34.45%	\$405,810
1/8/2019	CLR 100 15 MAR 19 42.5 PUT	1,500	749	\$2.00	-17.36%	-0.28	50.77%	35.86%	\$315,000
1/2/2019	CLR 100 15 FEB 19 35 PUT	2,006	40	\$0.85	-39.29%	-0.171	59.16%	22.92%	\$170,510
12/27/2018	CLR 100 (Weeklys) 11 JAN 19 37 CALL	1,373	0	\$3.80	N/A	0.74	67.25%	68.75%	\$521,740
12/20/2018	CLR 100 15 MAR 19 40 PUT	1,001	364	\$4.80	52.87%	-0.48	54.73%	58.74%	\$480,480
12/18/2018	CLR 100 18 JAN 19 45 CALL	1,604	210	\$1.40	-53.33%	0.34	52.81%	27.10%	\$232,580
12/10/2018	CLR 100 15 MAR 19 42.5 PUT	1,248	47	\$3.36	-1.18%	-0.34	54.07%	44.53%	\$419,328

The \$17.39B company trades 17.7X earnings, 3.77X sales, and 5.4X FCF. CLR sees 25% EPS growth in FY20 and revenue growth of 2% this year and 21% next year. Estimates have come down sharply since October. Production hit a record in the Bakken last quarter and CLR has one of the largest low-cost bases in the group. CLR expects 13-15% ROCE and \$1B in FCF and last quarter said they would consider a dividend to boost shareholder returns. The company is also invested in the SCOOP/STACK regions of Oklahoma and their Project SpringBoard kicked off in 2018 exploring 45,000 acres with potential for more than 400M barrels of oil equivalent. On 1/29, they will host a conference call to update progress on the project. Analysts have an average target for shares of \$71.50 with 28 buy ratings and 7 hold ratings. BMO upgraded to Outperform with a \$55 PT on 1/7. The firm cites their top-tier debt-adjusted production growth profile and forecast rate of 17% topping the sector median of 9%. Citi upgraded to Buy on 12/21 while Capital One upgrading to Overweight on 12/20.

Short interest is 1.8%, hitting multi-year lows this month. Institutional ownership fell 22% last quarter. Chairman Harold Hamm owns 283M shares.

Trade to Consider: Long the CLR March \$50 Calls for \$1.75 or Better

CLR Continental Resources, Inc. Common Stock 46.34 1.03 2.27%

MACD(12,26,9) = MACD = signal + delta last = 1.95725; 3.71976; 0.76253

D: 04/02/2019 Y204 9147

EMA(20) = last=49.1637 EMA(50) = last=53.0714 EWMA(13) = last=47.59537 EWMA(8) = last=46.03279 BPC(26,9) = Tenkan = Kijun = Chikou = A 63.375 = 8 52.98 last = 48.095; 53.745 EMA(200) = last=48.3129

