



FEATURED OPTIONS RADAR REPORT



Size Call Open Interest in Electricity Generator with Upside Catalysts

Ticker/Price: VST (\$17.35)

Vistra (VST) late rally with 20,000 November \$18 calls opening \$0.65 to \$0.70 as October \$19 adjusted and VST a name with sizable open interest including 16,000 October \$18 calls. VST shares remain near multi-year lows after being rejected at key \$18.50 resistance recently but probed potential trend support this week off March 2020 and May 2021 lows. VST is an electricity utility with both retail and generation businesses through TXU Energy, Homefield Energy, Dynegy, Ambit Energy, and Luminant. They're a strong FCF story which has allowed them to invest over \$1.5B into growth projects like solar and storage in Texas and California. VST is undergoing a big portfolio transition and now expects 45% of their EBITDA to come from renewables, storage, and retail by 2030. They see significant development opportunities over the next five years. VST continues to reduce its coal exposure and by 2030 targets 38% Gas, 28% Retail, 18% Renewables, 9% Coal and 6% Nuclear. VST serves ~4.3 million residential, commercial, and industrial customers via multiple brands in 19 states and the District of Columbia. VST currently has a market cap of \$8.65B and trades 10.95X Earnings, 6X FY22 EBITDA 1.42X Book and yields 3.37%. VST forecasts see EBITDA growth of 93.7% in FY22 after a 54% decline in FY21. VST seeks a long term leverage target of 2.5X Debt/EBITDA and expects to return \$1.5B in capital annually the next ten years. VST intends to deliver its long term strategic decision by its November Q3 earnings call on capital allocation and sees its stock attractively valued. Analysts have an average target of \$24 and short interest is low at 2.3% of the float. In July, Guggenheim upgraded VST to Buy with a \$24 target with increased confidence in the durability of FCF generation and sees potential for a breakup of the company and asset sales to private interests. BAML also upgraded to Buy in July with a \$23 target as a top beneficiary of strength in power and gas prices. Wolfe with a \$25 target in July noting the ERCOT overhang is starting to lift and sees VST having a lot of cash to make a strategic move.

Hawk Vision:



Hawk's Perspective: VST is intriguing with the potential for value unlock catalysts and upside calls being so cheap, not a bad one to have some exposure.

Confidence Ranking: \$\$