



FEATURED OPTIONS RADAR REPORT



Bulls Target Upside in ESG-Friendly Utility

Ticker/Price: XEL (\$66.3)

Xcel Energy (XEL) unusual trade on 11/22 as 2000 January \$65 calls bought for \$2.80 in a large block trade, unusual for a name with little open interest outside of some buy-write December \$65 and \$70 calls in OI for 8000X combined. XEL shares have formed a multi-week base right at trend support off early 2020 and 2021 lows and looking to work back above the 200-day moving average. XEL is a major U.S. regulated electric and natural gas delivery company headquartered in Minneapolis, Minnesota that serves customers in eight mid-western and western states, including portions of Colorado, Michigan, Minnesota, New Mexico, North Dakota, South Dakota, Texas and Wisconsin. Xcel Energy provides a comprehensive portfolio of energy-related products and services to approximately 3.7 million electric customers and 2.1 million natural gas customers through four utility subsidiaries. XEL has reduced carbon emissions from generation serving customers by 51% from 2005 to 2020 and on track to reach 60% renewable generation by 2030. XEL has a \$34.65B market cap and trades 20.5X Earnings, 2.3X Book and 13.2X EBITDA with a 2.8% dividend yield and 10.6% ROE. Forecasts see the company growing EBITDA at a steady 7-10% annual rate the next few years. Analysts have an average target of \$71 and short interest is low at 1.3% of the float. Goldman upgraded shares to Buy in October as an attractive opportunity to gain exposure to an above-average EPS/DPS growth story driven by generation fleet transformation, with further upside potential from significant purchase power agreement (PPA) expiration through 2025 -- through buyouts or favorable re-contracting -- as well as incremental renewable generation opportunities. It views recent investor concerns around winter storm Uri cost recovery as overdone and view the company's earnings power and healthy balance sheet as intact. BMO upgraded XEL to Outperform recently with a \$70 target expecting key regulatory overhangs to alleviate in Q1 2022 and sees upside from the many provisions in the new federal budget bill. BAML raised to Buy on 10/29 with a \$72 target seeing improving fundamentals and added visibility into incremental capital spending as a core beneficiary of the legislation for renewables and transmission spending moving forward.

Hawk Vision:



Hawk's Perspective: XEL stands out among peers and sits right with NEE as best-in-class Utility names, a nice set-up here for a longer-term value/yield type hold.

Confidence Ranking: \$\$