



## WEEKEND RESEARCH

W/E December 1<sup>st</sup>, 2024

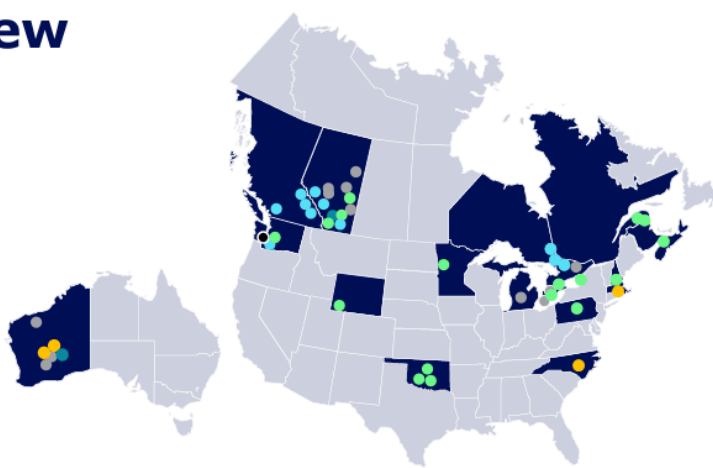
Overview: TransAlta (TAC), Following The Flow (CNP, DESP, PLAY), Under The Radar (SKYH), and W/E Tracker

### TransAlta (TAC) –

In today's W/E Research, we are traveling up north to Calgary, Alberta, Canada and focusing on **TransAlta (TAC)**, one of the largest renewable power producers in North America, one of the largest producers of wind power in Canada, and the largest producer of hydro power in Alberta.

## Fleet Overview

-  Wind, Solar and Storage  
**36 Facilities**
-  Hydro  
**25 Facilities**
-  Natural Gas  
**17 Facilities**
-  Coal  
**1 Facility**



**Technology:**

- Wind
- Solar
- Hydro
- Battery
- Natural Gas
- Coal

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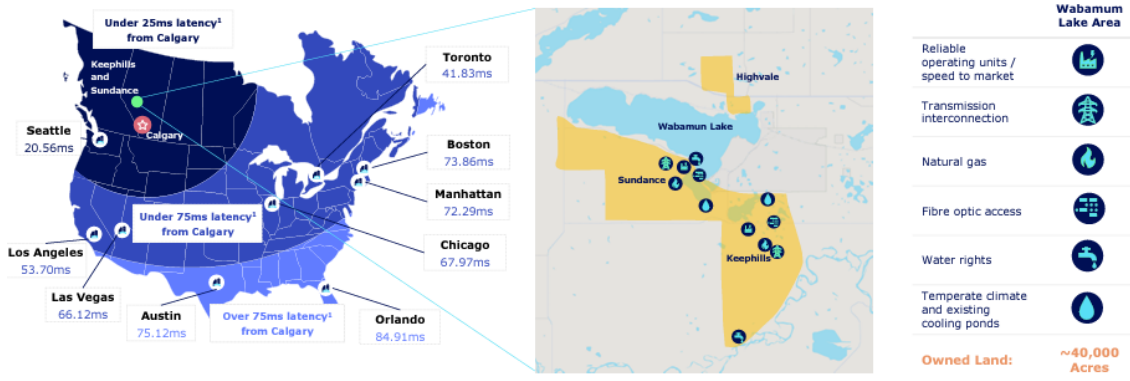
How did I come across this stock? JaguarFlow of course. **On November 21<sup>st</sup>, there was a buyer of 1,000+ March 10 Calls for \$1.55 offer, a \$160K+ bullish bet that remains in open interest.** After spotting this activity, I took a look at the technicals, and as you will see at the end of this report, they are finally breaking out.

Date	Symbol	DTE	Option	Quantity	Price	Side	Premium	Sentiment
21-Nov-24	TAC	120	TAC Mar25 10.0 Calls	1,050	\$ 1.55	On Ask	\$ 162,750	BULLISH

Option Flow...✓ Technicals...✓ Now let's dig into the fundamentals where I should be able to keep this short and sweet. First off, on November 5<sup>th</sup>, the company reported its Q3 earnings. Supported by its YTD results, which includes Hydro and Marketing performances that were stronger than analyst expectations, **it now believes its 2024 results are tracking to the "upper end" of its EBITDA and FCF/share guidance ranges in 2024.**

Meanwhile, we have another data center sympathy play! Per RBC Capital analyst Maurice Choy, **the company sees its sites in Alberta as providing significant optionality for redevelopment to meet the evolving needs of its customers (i.e., data centers) and the market. Its focus right now is towards data center co-location options given its land availability in the Wabamun Lake area (roughly 40,000 acres) and other utilities available on site (water rights, proximity to fibre optic cable, grid interconnection).** Furthermore, along with reliability and speed to market as top priorities for data center customers, the company highlighted the sites' ability to deliver latency under 75ms across most of Canada and the U.S. Overall, TransAlta is currently progressing several initiatives to ensure the sites are turnkey ready for data centers.

## TransAlta offers great locations for data centres



Separately, expectations are for a detailed development plan at Centralia, the company's coal-fired power plant. According to RBC, **TransAlta is in active discussions with several counterparties**, which could include repurposing existing assets and developing new facilities to enhance reliability. If successful, it will have the ability to extend the life of Centralia, as well as build other opportunities (i.e., wind, solar, batteries, pumped storage, next generation technologies) and it **expects to be able to share more about the opportunities in the 1H of next year.**

## Pursuing multiple options for Centralia redevelopment



Finally, it's worth noting that TransAlta was in discussions with Canada's Competition Bureau regarding the closing of its acquisition of **Heartland Generation**. On November 14<sup>th</sup>, it was reported that the Competition Bureau entered into a consent agreement with TransAlta to address competition concerns with its acquisition of Heartland Generation. A Bureau review concluded that the proposed transaction would likely result in a substantial lessening of competition in the supply of wholesale electricity in Alberta. To resolve the Bureau's concerns, TransAlta has agreed to sell Heartland Generation's Poplar Hill and Rainbow Lake 4 & 5 electricity generating businesses. The sale will be made to one or more independent purchasers to be approved by the Commissioner of Competition.



# FOLLOWING THE FLOW

**CenterPoint Energy (CNP)** – Based on Texas, CenterPoint Energy is a utility company with electric transmission and distribution, power generation and natural gas distribution operations that serve more than 7 million metered customers in Indiana, Louisiana, Minnesota, Mississippi, Ohio, and Texas. On November 13<sup>th</sup>, we saw buyers of nearly 2,000 February 31 Calls for up to \$1.40 offer, approximately a \$270K bullish bet.

Date	Symbol	DTE	Option	Quantity	Price	Side	Premium	Sentiment
13-Nov-24	CNP	100	CNP Feb25 31.0 Calls	989	\$ 1.40	On Ask	\$ 138,455	BULLISH
13-Nov-24	CNP	100	CNP Feb25 31.0 Calls	1,000	\$ 1.30	Near Ask	\$ 129,983	BULLISH

In a note on November 26<sup>th</sup>, BMO Capital analyst James Thalacker would highlight that the day prior, CenterPoint Energy Resources Corp (CERC) and settling parties filed a comprehensive settlement agreement with the Minnesota Public Utilities Commission (MPUC) in its gas rate case. The settlement would grant CERC a two-step rate increase of ~\$60.8M in 2024 and an incremental increase of ~\$42.7M in 2025. Looking ahead, the analyst believes **the next key event for shares is making additional progress in its efforts to settle its CEHE GRC (CenterPoint Energy Houston Electric General Rate Case) and the associated resolution to its large mobile generation units (15 x 32MWs).** “To that end, we believe there is the potential for a comprehensive resolution to the company’s CEHE rate case and mobile generation investment with **concurrent announcements potentially as early as year-end 2024.**”

**Despegar (DESP)** – Based in Buenos Aires, Argentina, Despegar is an online travel company that provides a broad suite of travel products, including airline tickets, travel packages, hotels and vacation rentals, to over 17 million customers. On November 15<sup>th</sup>, JaguarFlow picked up on buyers of the April 17.5 Calls that remain in open interest.

Date	Symbol	DTE	Option	Quantity	Price	Side	Premium	Sentiment
15-Nov-24	DESP	153	DESP Apr25 17.5 Calls	744	\$ 2.60	On Ask	\$ 193,437	BULLISH
15-Nov-24	DESP	153	DESP Apr25 17.5 Calls	1,702	\$ 2.51	Above Ask	\$ 426,723	BULLISH

Based on the company’s Q3 earnings report, which came out the evening before this option flow took place, results showed that Package bookings were 33% of total bookings, up nearly 260 bps Y/Y. Additionally, approximately 15% of bookings are multi-session package bookings (i.e., *booking air first and booking a hotel later*), bringing combined mono-session and multi-session package bookings up to nearly 50% of total bookings. Following management meetings recently, B. Riley would highlight that **the company has announced a number of White label B2B partners thus far in 2024, including Brazil’s largest loyalty program—Livelo, ride-hailing super app Didi, and one of the largest Brazilian banks.** **Interestingly, B. Riley also points out that Despegar is in advanced talks with a large LatAm airline operator.**

Lastly, back on September 25<sup>th</sup>, Despegar signed a new Lodging Outsourcing Agreement with **Expedia (EXPE)**. According to B. Riley, changes to the supply agreement with Expedia would allow Despegar to book direct-sourced hotels or use inventory through other partners (on more favorable terms) for a sizable portion of international bookings. The analyst **expects an incremental tailwind to revenue as the company should benefit from no split or more favorable revenue splits on these types of bookings.**

**Dave & Buster's (PLAY)** – This entertainment and dining company was last discussed in Conversations back on March 26<sup>th</sup> when the stock was trading just above \$59. At that time, I provided read-throughs from other companies and cited Placer.AI traffic trends. Bottom line, it was all bearish. Since this discussion, shares have moved lower by nearly \$20. However, my tune is starting to turn bullish based on two factors. **First, when you look at JaguarFlow, since October 23<sup>rd</sup>, there has been nothing but bullish activity targeting a number of longer-dated options, such as the April 40, 45, 50, and October 45 Calls. Second, insider activity has taken place on July 5<sup>th</sup>, October 9<sup>th</sup>, and November 5<sup>th</sup> when CEO Christopher Morris and CFO Darin Harper have collectively bought over \$1.5M worth of stock.**

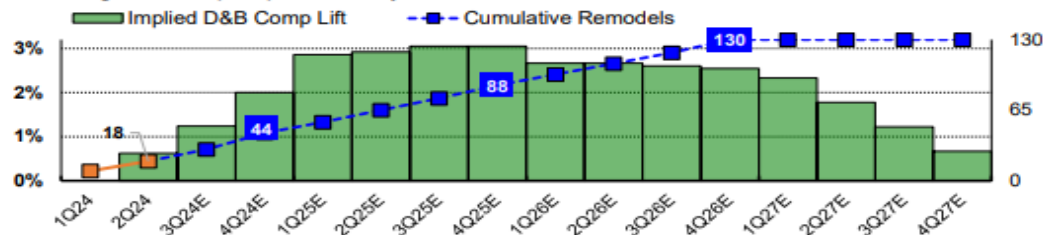
Date	Symbol	DTE	Option	Quantity	Price	Side	Premium	Sentiment
23-Oct-24	PLAY	176	PLAY Apr25 40.0 Calls	765	\$ 3.17	Near Ask	\$ 242,505	BULLISH
24-Oct-24	PLAY	175	PLAY Apr25 40.0 Calls	817	\$ 3.90	On Ask	\$ 318,630	BULLISH
28-Oct-24	PLAY	171	PLAY Apr25 45.0 Calls	800	\$ 3.70	On Ask	\$ 296,000	BULLISH
1-Nov-24	PLAY	167	PLAY Apr25 45.0 Calls	454	\$ 4.20	On Ask	\$ 190,680	BULLISH
1-Nov-24	PLAY	167	PLAY Apr25 45.0 Calls	733	\$ 3.70	On Ask	\$ 271,210	BULLISH
6-Nov-24	PLAY	44	PLAY Dec24 45.0 Calls	931	\$ 2.70	Near Ask	\$ 251,328	BULLISH
6-Nov-24	PLAY	162	PLAY Apr25 50.0 Calls	720	\$ 3.47	Near Ask	\$ 249,840	BULLISH
21-Nov-24	PLAY	330	PLAY Oct25 45.0 Calls	264	\$ 4.20	On Ask	\$ 110,880	BULLISH
26-Nov-24	PLAY	52	PLAY Jan25 40.0 Calls	4,000	\$ 1.80	On Ask	\$ 720,000	BULLISH

Filing Date	Trade Date	Ticker	Insider Name	Title	Trade Type	Price	Qty	Owned	ΔOwn	Value
2024-11-05 16:41:35	2024-10-07	PLAY	Morris Christopher Daniel	CEO	P - Purchase	\$33.68	+14,912	83,847	+22%	+\$502,162
2024-10-09 16:30:03	2024-10-07	PLAY	Morris Christopher Daniel	CEO	P - Purchase	\$33.68	+14,912	117,917	+14%	+\$502,162
2024-09-13 16:30:07	2024-09-12	PLAY	Klohn Steve	SVP CIO	S - Sale	\$31.13	-17,512	14,657	-54%	-\$545,207
2024-07-05 16:32:31	2024-07-03	PLAY	Harper Darin	CFO	P - Purchase	\$38.77	+13,578	35,738	+61%	+\$526,420

What about traffic trends? The company will be reporting earnings on December 10<sup>th</sup> and I don't expect anything positive. Placer.AI shows that PLAY's visit trends decelerated sequentially by 500+ bps! It also won't help that hurricanes Helene and Milton created additional temporary disruptions, as Florida represents approximately 10% of PLAY's system sales. **So, what is there to be bullish about?** BMO Capital analyst Andrew Strelzik would say that despite ongoing same-store sales softness, they remain **optimistic about the potential for stronger momentum in FY25 as completed fully programmed remodels continue to show strong lifts.** "We identified 12 fully programed remodeled stores for which we could track traffic performance (e.g., not in a mall) and that were open long enough to provide reasonable sample. First, **we observed an average year-one traffic lift for stores within our data set of +10.4%. Second, assuming a +10% year-1 traffic lift, our math suggests remodels will provide accelerating comp support** exiting FY24 and a 3% lift in 2025 based on the remodel timeline PLAY has previously discussed. Third, importantly, the assumed 10% lift is exclusively traffic driven, though we believe **remodeled stores likely also realize mix benefits from expanded entertainment offerings and incremental pricing** (more pricing power as remodels open)."

**Exhibit 4 - D&B Remodels - Implied Y-o-Y Comp Lift**

Assuming 10% comp lift per store in year-1



Source: BMO Capital Markets, Company Reports, Placer.AI.

# UNDER THE RADAR

**Sky Harbour Group (SKYH)** is described as an aviation infrastructure company *developing the first nationwide network of home-basing campuses of hangars for business aircraft*. The company currently has three campuses in operation (Houston/Sugarland, Miami/Opa-Locka, and Nashville) and three under construction (Dallas/Addison, Denver/Centennial, and Phoenix/Deer Valley), with four Phase II/Phase III add-ons (Dallas, Denver, Miami, and Phoenix) in development. The company is integrated through a controlling interest in a construction company called RapidBuilt that manufactures Sky Harbour's proprietary prototype hangars.



On November 12<sup>th</sup>, SKYH reported its Q3 results with Revenue of just \$4.1M, slightly beating the \$4.0M analyst estimates. As Maxim stated in their post-earnings note, Q3 results were slightly below expectations, but included only four airports of the 14 announced thus far. Revised guidance for 2025 is for nine new airport leases (*up from eight*), which would bring the total to 23 airports by year-end 2025. In addition, management indicated that: 1) The 10 campuses currently under construction or development are all on schedule, and 2) Importantly, **rents for existing and new airports should exceed original internal forecasts by "a very substantial margin."**

On the conference call, CEO Tal Keinan would first discuss **site acquisition**: "We only report binding site acquisition wins. And the nature of this process is such that progress is difficult to gauge until we've actually made an announcement. And we haven't been able to find a better way to keep the public apprised of our progress on site acquisition, which has been a bit of a frustration because it is the key value driver of the entire business. For the time being, we're sticking to our policy. We only announce site acquisition wins when they're done, binding, irreversible. **So stay tuned for that. There's been quite a bit of progress in the last quarter.** But again, it's not something that we really are able to measure in a way that can be shared publicly."

Regarding development: "**We've got 3 projects set for delivery between now and the end of the first quarter of 2025. Leasing has already commenced on those projects, and we hope to see the cash flows from those projects begin sometime in the first or second quarter of next year.** We have another 2 projects slated for delivery in 2025. That's Miami Phase 2 and Dallas Phase 2. And as Will described, 11 new project phases now in development."



## Weekend Research Tracker

### "A" Idea Rankings

Report Date	Company	Commentary
<a href="#">10/29/2023</a>	<b>FTAI Aviation (FTAI)</b>	Remains in an uptrend. Refer to recent Tea Leaves discussions.
<a href="#">5/27/2024</a>	<b>Curtiss-Wright (CW)</b>	Defense/Electronics segment strong; Nuclear underappreciated
<a href="#">8/11/2024</a>	<b>V2X (VVX)</b>	Moving back to A from B. See Conversations/Webinar discussion.
<a href="#">9/2/2024</a>	<b>Spotify (SPOT)</b>	No Trade Idea yet. Strong User Metrics; Positive Survey Results
<a href="#">10/13/2024</a>	<b>Travere Therapeutics (TVTX)</b>	Bullish option flow; Potential FDA FILSPARI expansion
<a href="#">10/20/2024</a>	<b>Harrow Inc. (HROW)</b>	New Bloomberg/IQVIA Channel Checks Show Improvement
<a href="#">10/27/2024</a>	<b>TG Therapeutics (TGTX)</b>	Positive Trial Results; Continued Briumvi Uptake
<a href="#">11/10/2024</a>	<b>Ferrari (RACE)</b>	Overreaction to last earnings. Presents a buying opportunity
<a href="#">11/17/2024</a>	<b>Yeti Holdings (YETI)</b>	Potential breakdown setup; Tariff Risk; Weak Channel Checks
<a href="#">11/24/2024</a>	<b>GitLab (GTLB)</b>	Overwhelming Bullish Option Flow; Positive Channel Checks
<a href="#">12/1/2024</a>	<b>TransAlta (TAC)</b>	Data Center Optionality; Centralia Update; Bullish Option Flow

### "B" Idea Rankings

Report Date	Company	Commentary
<a href="#">9/4/2023</a>	<b>Kodiak Gas Services (KGS)</b>	Moving down from A to B purely based on technicals.
<a href="#">11/5/2023</a>	<b>COPT Defense (CDP)</b>	Strong Leasing Activity, Healthy Pipeline, Slow mover though
<a href="#">11/19/2023</a>	<b>UFP Technologies (UFPT)</b>	Moving from A to B strictly on technicals
<a href="#">8/25/2024</a>	<b>Fluor Corp (FLR)</b>	Trade Idea was closed. However, still bullish on the stock.
<a href="#">9/22/2024</a>	<b>On Holding (ONON)</b>	Moving from A to B. Weak European earnings read-throughs
<a href="#">10/6/2024</a>	<b>Funko (FNKO)</b>	Moving from A to B. Disappointing earnings reaction.

### "C" Idea Rankings

Report Date	Company	Commentary
<a href="#">4/21/2024</a>	<b>Kraft Heinz (KHC)</b>	Moving from A to C following earnings this past week.
<a href="#">4/28/2024</a>	<b>LeMaitre Vascular (LMAT)</b>	Moving from A to C. Stock is overbought. Moving to sidelines for now.
<a href="#">5/12/2024</a>	<b>BellRing Brands (BRBR)</b>	Moving from B to C. Technical breakdown recently.
<a href="#">5/19/2024</a>	<b>GE Vernova (GEV)</b>	Moving from A to C. Taking profits as technicals look vulnerable.
<a href="#">6/2/2024</a>	<b>Progressive (PGR)</b>	Moving from A to C. No momentum in the name.
<a href="#">6/9/2024</a>	<b>Spectrum Brands (SPB)</b>	Moving from A to C. No longer endorsing any home/housing longs.
<a href="#">6/16/2024</a>	<b>Sherwin Williams (SHW)</b>	This trade was closed on July 23 <sup>rd</sup> . Any housing trade was not working.
<a href="#">6/23/2024</a>	<b>Matson (MATX)</b>	This trade was closed on July 30 <sup>th</sup> prior to earnings.
<a href="#">6/30/2024</a>	<b>GEO Group (GEO)</b>	Moving from A to C. Trade worked quickly. Susceptible to politics.
<a href="#">7/7/2024</a>	<b>CarMax (KMX)</b>	This trade was closed on August 2 <sup>nd</sup> . Never worked from the beginning.
<a href="#">7/14/2024</a>	<b>PayPal (PYPL)</b>	This trade was closed on July 30 <sup>th</sup> following a strong earnings report.
<a href="#">8/18/2024</a>	<b>PHINIA (PHIN)</b>	Moving from A to C. Took profits last week following the MS downgrade
<a href="#">9/15/2024</a>	<b>Healthpeak Properties (DOC)</b>	Moving from A to C. Chart breakdown.

**Jay Kunstman**

Senior Research Analyst, JaguarAnalytics

Email: [JKunstman@JaguarAnalytics.com](mailto:JKunstman@JaguarAnalytics.com) Twitter: [@JayIKyle](https://twitter.com/JayIKyle) [@JaguarAnalytics](https://twitter.com/JaguarAnalytics)