



## Unusual Call Buying in Security Software Standout Checkpoint

**Ticker/Price:** CHKP (\$126.50)

### Analysis:

**Checkpoint (CHKP)** with 700 May \$125 calls opening this morning near \$6 and action continues to come in so it will be worth noting the volume end of day. CHKP has been a strong technical name and cleared the long \$95/\$120 range that targets a move to \$145. The \$19.5B security software Co. trades 19.5X Earnings, 9X EV/Sales and 17.7X FCF. CHKP does not have any near-term events expects and recently gave weak Q1 guidance though FY19 view was in-line. It is a lower top-line growth name with 3.3% growth in 2018 and 4-5% annual growth seen the next two years while EPS growth is seen accelerating after contracting to 5.9% this year. Analysts have an average target near \$120 and short interest slightly elevated at 6.5% of the float. Jefferies one of the more bullish firms with a \$140 target noting CHKP is a well-run disciplined operator and sees new product refreshes boosting growth. CHKP has seen margin contraction as it invests more and absorbs acquisitions, though 50% operating margins remain best in class. Hedge Fund ownership rose 6.8% in Q4 filings, notable new positions from Pental Group and Fundsmith. CHKP has formerly been seen as a potential IBM M&A target.

### Hawk Vision:



**Trading Strategy:** CHKP is extended near-term and would like to see it back near \$123 for a better entry and likely wait for a catalyst.

**Confidence Ranking:** \$\$