



Bullish Calls Bought in Acacia and IV Jumps

Ticker/Price: ACIA (\$59.25)

Analysis:

Acacia (ACIA) with 2,550 May \$65 calls bought up to \$2.20 to open and also seeing 870 of the \$60 calls bought as May IV jumps, earnings expected in early May. ACIA has previously seen modest positioning with 745 May \$60 calls bought on 4/1 and has some January calls now deep ITM. ACIA shares are strong today working out of a recent consolidation and moving to two year highs, a name moving out of a multi-year weekly base with its recent break above \$50. The \$2.35B maker of high-speed optical products trades 28.8X Earnings and 34.3X FCF with a clean balance sheet and \$250M+ in cash. ACIA started back to a growth play in Q4 and sees 32% revenue growth this year and 17.5% next year with EPS seen rising to \$2/share in 2020 from \$0.86/share in 2018. ACIA beat estimates last quarter posting 23.7% Y/Y growth and made strides diversifying its revenue base and expanding the product portfolio and is seen as well positioned for next-generation deployments. It is a play on the continued growth in global IUP traffic and bandwidth demand, set to increase 3.2X by 2022 from 2017. Analysts have an average target of \$55.75 on shares and short interest at 5.5% of the float has been declining since July 2017. ACIA has caught some downgrades recently including MSCO cutting to Underweight on 3-27 on customer concentration risk, though notes a likelihood of meaningful earnings beats the next few quarters. Piper recently upped its target to \$68 seeing the recent launch of CFP2-DCO and AC1200 module as tailwinds for growth and the 400GZR opportunity ramping in 2020. It sees ACIA as an industry leader for growth and sees telco optic demand strong throughout 2019. Craig Hallum started shares Buy with a \$68 target on 3-4 seeing the Coherent DSP-driven product cycle ramping and stronger than ever and sees ACIA posting strong numbers as it moves into the cloud. Hedge Fund ownership surged 33% in Q4 filings, Summit Partners with a 7.72% weighting.

Hawk Vision:



Trading Strategy: ACIA was way overvalued initially after its IPO run but settled in 2018 and now becoming a very attractive growth story again.

Confidence Ranking: \$\$