



## Unusual Bullish Trading in Undervalued Tech Name Radware

**Ticker/Price:** RDWR (\$23.30)

### Analysis:

**Radware (RDWR)** unusual activity last week with more than 2,350 September \$21 calls opening with buyers near the \$3 level ITM and has some notable open interest in December with short puts at the \$27, \$26 and \$25 strikes and long calls at the \$25 and \$26 strikes. The \$1.1B maker of cyber-security solutions for data centers trades 28.3X Earnings, 21.25X FCF and 2.7X EV/Sales. RDWR grew revenues 10.9% last year, best year of growth since 2014, and sees 7-10% growth ahead the next three years. RDWR is speaking at investor conferences this week and is coming off a strong quarter beating estimates, raising its outlook, and announcing a \$40M buyback plan. RDWR has over 12,500 customers and did 20 deals over \$1M in 2018. RDWR has no debt and \$420M of cash and equivalents and is looking to make further acquisitions. It is a strong cash generator in shifting to a subscription model with more than 30% of bookings to be on this model by 2020 and sees operating margins growing to above 15% from 2% in 2017. Analysts coverage is slim, Berenberg starting shares Buy with a \$30 target back in November. Cadian Capital has a notable 4.36% weighting as its 10<sup>th</sup> largest holding after adding more shares in Q1. On the chart shares made a big run 2016 through mid-2018 and pulled back right to its 38.2% Fibonacci in December before bottoming but put in a lower high earlier this year and has slipped back to the 89 week MA that was supportive in December. Shares need to get back above \$25.20 to flip the momentum to bullish.

### Hawk Vision:



**Trading Strategy:** RDWR is a name I have long expected to be acquired and its price/cash valuation is insanely cheap for a good business.

**Confidence Ranking:** \$\$