



Call Buyers in Dell See Value after Sell-Off

Ticker/Price: DELL (\$53.45)

Analysis:

Dell Tech (DELL) continuing to trade weak with a major three week correction with shares down around 25% but are hitting potential support at a 61.8% Fibonacci and former support. DELL this morning is seeing buyers of 2,500 October \$60 calls to open up to \$3 and has seen 12,800 of the \$62.50 calls bought and 4,000 of the \$65 calls bought. DELL does have a lot of June puts now deep ITM in OI but also 8,000 July \$52.5 and 10,000 July \$60 calls. The \$39B Tech company now trades 7.35X Earnings, 5.6X FCF and 8.1X EV/EBITDA. Dell continues to be seen as a sum of the parts story with its stakes in VMware (VMW), Pivotal (PVTI), and Secure-Works (SCWX), and Elliott raising its ownership in February noting shares should be worth at least \$70. They expect mid-single digit growth in FY20 and double-digit growth in FY21 with earnings power of nearly \$8/share. DELL sees 11% revenue growth in the coming years driven by secular themes across connected devices and big data while IT spending growth is also favorable. They see big cross-sell opportunities across storage, security, servers, and virtualization. They are a leader in managed cloud as well, an \$80B market. DELL recently beat on EPS while missing on revenues. Analysts have an average target of \$73 and short interest low at 2.4% of the float. Evercore ISI out last night starting shares Outperform with a \$75 target. BAML has a \$70 target positive on the quarter with strong CSG growth and margins while Server revenues were weak. We reiterate Buy on broad Dell's product portfolio, growth faster than the market, share gains, competitive advantage with VMWare, and opportunity to increase margins over the next several years on higher mix of storage. Elliott Mgmt. has a \$658M stake, its 9th largest position.

Hawk Vision:



Trading Strategy: DELL is finally at support and getting attractive for a play longer-term, wanting to see a proper base form and some price-action improvement first however.

Confidence Ranking: \$\$