



Large Call Buy in 5G Beneficiary KeySight Tech

Ticker/Price: KEYS (\$92.50)

Analysis:

Keysight Tech (KEYS) with buyers early in the ITM January \$85 calls and then 2,000 September \$92.50 calls bought to open \$5.10 to \$5.30. KEYS had buyers in the January \$85 calls on 7-12 and put sales last week in the September \$77.50 puts over 1000X. Shares are looking to break out of a small flag today above \$95 and larger cup-and-handle targets a long-term move up to \$115. KEYS has consolidated a big run from 2016 well with MACD and RSI both turning higher today after resetting, ready to run. The \$16.69B company trades 19.5X earnings, 4X sales, and 27.8X FCF with mid-teens EPS growth. KEYS expects 7.6% and then 10.1% revenue growth through FY21. KEYS is coming off a strong quarter with strength across communications and industrial solutions. The company is mitigating China issues well with 7-8% growth outlook intact behind another record 5G order quarter and double-digit software and services growth. Analysts have an average target for shares of \$95 with 5 buy ratings, 2 hold and 1 sell. Goldman downgraded to Neutral on 7-21 citing valuation and would prefer to see signs of a re-acceleration in its business before being constructive again. Jefferies positive in late May with a \$100 PT. The firm thinks KEYS has many drivers to regain lost Huawei business. DB with a \$110 PT citing a long runway in both 5G and Wi-Fi 6. Short interest is 3.2% but jumping lately from 1.4% in late April. Hedge Fund ownership fell 1.6%. Jericho Capital and AQR two top buyers.

Hawk Vision:



Hawk's Perspective: KEYS has been a favorite for a couple years now and love the story, a company that keeps delivering great results and positioned well for the 5G ramp, a name to own, not trade.

Confidence Ranking: \$\$\$