



## Bullish Positioning for a Fire-Eye Turnaround

Ticker/Price: FEYE (\$13.50)

### Analysis:

**Fire-Eye (FEYE)** yesterday with 2,800 January \$14 puts sold to open as well as a roll to 5,300 September 6<sup>th</sup> (W) calls for \$0.22 and followed 5000 ITM December \$10 calls opening on Monday. FEYE has been popular with put sales, the January 2021 \$10 short puts have 5,800 in open interest and the March \$13 and \$12 with 6,715 and 3,370 respectively. It also has over 9,000 September \$15 puts that were sold to open and are slightly underwater at this point. FEYE has been a major laggard and sits near its lowest level in two years, The \$2.9B cyber-security company trading 80X Earnings and 3.3X EV/Sales. FEYE topline growth has been declining the last few years but seen reaccelerating in 2020 along with EPS. FEYE held an Analyst Day in March noting 80% of CapEx budgets are spent on detection & prevention, and FEYE has transformed into a cloud play while expanding globally and expanding its services. FEYE did a \$250M deal for Verodin in May. Analysts have an average target of \$17.50 and short interest at 8.5% of the float has been on the decline. Nomura started coverage at Buy with a \$16 target on 8-6 noting the major business transformation to a subscription software model, though expects another year of headwinds from declining appliance revenue, it sees strong signs of emerging recurring revenue growth and the foundation laid for the new Helix platform, the next-generation platform that can see greater adoption. JP Morgan called the recent earnings pullback a buying opportunity citing double-digit billings growth in Q2, the only metric that matters, and has a \$20 target on shares. Evercore ISI has a \$25 target seeing value for a patient investor and views demand for its products as solid and FEYE has become more of a special situation until it reaches more consistent fundamentals. Hedge Fund ownership rose 6.5% in Q2 filings, Shapiro Capital adding to its now 5.15% weighted position and Alyeska also added more shares.

### Hawk Vision:



**Hawk's Perspective:** FEYE is an ugly trend/chart and tend to avoid these but the put sales and ITM call buys are a positive signal and have a close level to trade against, would love to see an Insider purchase shares to add confidence.

**Confidence Ranking:** \$\$