



General Motors Bullish Positioning Continues

Ticker/Price: AVGO (\$266)

Analysis:

Broadcom (AVGO) with 400 June 2020 \$270 puts sold to open \$37 and follows sellers in the June \$240 puts yesterday for \$24 over 350X. AVGO has seen buyers in the September \$290 and \$300 calls in size recently while the September \$220 puts with size sellers in June which remain in OI. Shares are down from around \$300 over the last two weeks and right back at trend support from the October lows. A move higher would target cloud resistance around \$280. The \$109B semiconductor leader trades 11.3X earnings, 5X sales, and 19.3X FCF with a nearly 4% yield. AVGO expects EPS growth to accelerate over the next two years, up 10.3% and 11.9%, while revenues grow steadily up 5% and then 9.7%. AVGO has been weighed down by geopolitical concerns but should see demand stabilize into the EOY and early 2020 as export restrictions on Huawei ease. AVGO also has been reportedly looking at another M&A deal to help grow scale, recently talking with Symantec but calling off talks on price. Analysts have an average target for shares of \$305. Oppenheimer positive on 7-31 after Apple's earnings seeing AVGO set to recapture share this year with over \$400M in incremental revenue in 2020 from content wins in the iPhone. RBC starting at Outperform in late July, \$320 PT, as the CA deal will prove to be solid from both a financial and tech standpoint long-term and the firm expects more deal flow as AVGO looks to grow its margins and gain scale while reducing costs. Short interest is 1.5%. Hedge Fund ownership fell 4.3% in recent filings. Lyrical Asset Management, Coatue, and Valinor Management notable concentrated holders.

Hawk Vision:



Hawk's Perspective: AVGO is a compelling value with shares nearing two-year trend support, but need to see Semi's stabilize amid the China tensions.

Confidence Ranking: \$\$

