



## Dell Calls Adjust Seeing More Upside into Year-End

Ticker/Price: DELL \$51

### Analysis:

**Dell (DELL)** saw more than 16,750 January \$52.50 calls bought to open for \$2.50 yesterday, a sizable \$4.27M position, as the December \$50 calls adjust higher and out. DELL had 2,000 December \$52.50 calls bought on 10-14 and open interest there now over 30,000X while bullish call buying has also been seen out in April. Shares are consolidating in a small multi-week base under \$51.25 and YTD VPOC while carving out the right side of a big inverted head-and-shoulders pattern under \$57.50. A move higher targets \$70 and a re-test of the May highs. MACD is crossing over bullish and near a squeeze breakout to the upside. The \$37.33B company trades 6.9X earnings, 0.4X sales, and 5.22X FCF. DELL is targeting double-digit EPS growth in FY22 with revenues up 2-3% annually. DELL is coming off a strong quarter with guidance raised behind record cash flow generation and share gains. The company is a massive SOTP story with next-generation storage solutions, networking products, and personal computers. DELL sees long-term growth tailwinds from several secular trends including 5G, AI/Machine Learning, Big Data and Industrial IoT. Their product reach between VMW, Pivotal and DellEMC is targeting cloud architecture and data centers as it pivots into more growth-driven areas while the PC market consolidates and stabilizes. Analysts have an average target for shares of \$61. CSFB raising their PT to \$61 in August but remains Neutral-rated given pricing concerns. JP Morgan positive noting that in a challenging end market, Dell is garnering share in higher-margin growth segments, yielding share where the business is unattractive, and executing on promised innovation that leverages the VMware (VMW) platform. Short interest is 0.4%. Hedge fund ownership rose 9% in Q2. Elliott Management, MSD Partners, and Lakewood Capital all top holders.

### Hawk Vision:



**Hawk's Perspective:** DELL sets up well versus the recent lows setting up a nice reward/risk for a move higher. It finally looks to be bottoming after the weakness during the Summer.

**Confidence Ranking:** \$\$