



Analog Devices Size Bullish Positioning at 200 Day Moving Average

Ticker/Price: ADI (\$108.8)

Analysis:

Analog Devices (ADI) with buyers of 3,450 December \$110 calls in the afternoon for \$3.85 and follows buyers recently in the March \$110 calls and December \$125/\$100 bull risk reversals. The December \$105 puts have also been sold to open recently. ADI is back at YTD VPOC after trading up to \$124 in July and forming a large bull wedge. A breakout over \$112.50 targets a move back to those highs while further upside targets \$145. The \$40B semiconductor trades 20.45X earnings, 6.5X sales, and 44.8X FCF with a 2% yield. ADI sees accelerating EPS and revenue growth into FY21 with industry-best FCF margins. The company is targeting 70%+ gross margins. ADI continues to see a more challenging near-term environment. They have significant exposure to industrial markets which are being driven by growth in 'industry 4.0' transition plans. They also have broad exposure to EVs, autonomous driving, data center, and 5G. Analysts have an average target for shares of \$114.75. On 9-12, Barclays upgraded to Overweight with a \$130 PT. They see Massive Multiple Input Multiple Output and mmWave silicon doubling to an almost \$6B market in 2022. Keybank upgrading to Outperform recently with a \$130 PT citing is leading position amid the rollout of 5G infrastructure with its leading best-of-breed position in data converters and the architectural shifts to massive MIMO. They also are positive on the company's positive relative to Huawei given their components are some of the most difficult to replicate and likely difficult in the short-term to be phased out. Short interest is 1.3% and near its lowest level since 2016. Hedge fund ownership fell 15.5% in Q2. Alkeon Capital, Whale Rock, and Polar Capital notable holders.

Hawk Vision:



Hawk's Perspective: ADI remains a favorite among the Semiconductors and like it down at these levels, seeing it as a long-term winner.

Confidence Ranking: \$\$\$