



## Extreme Networks Bulls Add into EPS Weakness, Positive Long-Term Transition Story

Ticker/Price: EXTR \$6.45

### Analysis:

**Extreme Network (EXTR)** buyer of 1000 June \$5 calls to open near \$2 after ITM put sales of January 2021 \$7.50 strike for 1000X earlier this week and still has 9800 December \$6 short puts in open interest from a trade 6/25. EXTR did see insiders buying stock in May 2018 in the \$8.40 to \$9.03 range. Shares are pulling back this week after reporting earnings but remain in an uptrend off the October 2018 lows. The \$780M maker of software-driven network solutions trades 6.8X Earnings and 9.5X FCF with a lot of debt on its balance sheet. EXTR guided light for Q2 and is integrating its acquisition of Aerohive (HIVE) back in June expecting growth to accelerate in FY20 to 9.2% on the revenue side and 80% on the EPS side. EXTR is transitioning to a subscription-oriented cloud based solutions and with the HIVE deal creates a #3 vendor in Enterprises behind just Cisco and HPE/Aruba. It sees a \$22B market opportunity growing around 5% each year the next three with Wireless LAN, Data Center, Switching/Campus, and SD-WAN. Analysts have an average target of \$9.25 and short interest is low at 4% of the float. Lake Street started shares Buy with a \$9 target in July expecting the HIVE deal to position it back on a growth trajectory in 2020. Hedge Fund ownership rose 13.5% in Q2 filings.

### Hawk Vision:



**Hawk's Perspective:** These transition stories tend to produce messy results and **EXTR** has a deal integration as well but seems like a really promising long-term story and one to keep an eye on.

**Confidence Ranking:** \$\$