



Puts Accumulate in NetApp

Ticker/Price: NTAP (\$58)

Analysis:

NetApp (NTAP) with another 3900 November \$55 puts bought to open on Monday up to \$1.50, adding to the 6,500 in OI and name which has consistently drawn bearish flow since early September. The November \$50 puts have over 5000 in open interest while the December \$55 puts with 13,000 and the December \$50 puts with 3000 other notables. Shares are back near VWAP from the April highs as well as the 200-MA and YTD VPOC just above at \$61.50. The \$13.84B company trades 12.78X earnings, 2.3X sales, and 17.9X FCF with a 3.3% yield. NTAP has taken down estimates over the last quarter and now sees FY20 EPS down 9.8% with revenues down 8%. The company has been impacted by the trade war and slowdown in general conditions with customers pulling forward a lot of buys last year, especially in All-Flash Arrays where they noted “those customers are most impacted by the spending slowdown in hardware.” They noted that two large customers exposed to US/China cut their capital spending by 30% Y/Y which is clearly trickling down to NTAP. Analysts have an average target for shares of \$60. Goldman Sachs cutting to Sell on 10-10 with a \$45 PT. They think guidance is optimistic given the environment for large enterprise spending which is slowing down. They also think FY21 and FY22 guidance for a bounce back in core product growth is too high given they just cut estimates in July for that business. MSCO on 9-30 noting that checks show a decrease in storage demand which suggests NTAP and other vendors likely to miss with VARs. They also think NTAP’s performance weakened relative to peers following a higher level of discounting. Short interest is 6.4%. Hedge fund ownership rose 4.6% in Q2. Maplelane Capital a buyer of put options while Bridgewater and Cipher Capital buyers of stock.

Hawk Vision:



Hawk’s Perspective: NTAP is a name that feels vulnerable for more downside though right now the market is lifting everything, if conditions change it is a top Tech short.

Confidence Ranking: \$\$