Calls Accumulate in Marvell Tech into 5G Cycle

Ticker/Price: MRVL ($25.55)

Analysis:

Marvell Tech (MRVL) buyers of 1500 May $28 calls today near $1.50, follows action earlier this week with May $25 calls seeing more than 3500 add to open interest and has seen February and May calls accumulate since early November. MRVL also has plenty of January 2020 call open interest that accumulated throughout the year. MRVL shares recently pulled back to just under its 200 day MA and low-end of a six month range and putting in a strong candle this week looking to work to new highs around $30. The $16B Semi trades 25.2X Earnings, 5.9X Sales and has a 0.97% dividend yield. Revenues are seen accelerating in 2021 with 15.7% growth seen and EPS forecasted to rise 50%. MRVL has been seeing improving operating margins and delivers solutions to move, store and process all the world's data, and targeting the Tech infrastructure segment which is boosted by its acquisition of Cavium a few years ago. It sees storage disruptions, enterprise upgrade cycle, 5G and Data Center as key drivers of growth with an estimated TAM of $23.5B for FY21 comprised of Storage, Networking and Arm Server. Analysts have an average target near $30 and short interest low at 4.7% of the float. In November Wells Fargo upgraded shares to Outperform with a $32 target noting the company is at a topping point ahead of 5G launch with increasing sales to large telecom providers ahead of 5G base stations and sees greater than 35% operating margins achievable. Argus recently boosted its target to $30 with a Buy rating seeing strong sequential growth in Q4 with recent acquisitions and organic momentum of 5G as well as attractive valuation to peers. Hedge Fund ownership fell 31.5% in Q3 filings, Senator and Point-72 exiting positions while Whale Rock reduced.

Hawk Vision:

Hawk's Perspective: MRVL has lagged peers but looks like an intriguing value play into 2020 with some positive catalysts and May calls are fairly cheap.

Confidence Ranking: $$