



## Put Buyers in Seagate on Slow Growth, Market Share Loss Concerns

Ticker/Price: STX (\$50.30)

### Analysis:

**Seagate Tech (STX)** with 1,500 September \$50 puts bought in late day trades on 3/5 for over \$1M in aggressive orders that at \$6.50 offer on a wide bid-ask. STX still has 2500 March \$50 put sin open interest from buyers on 10/3/19, the April \$55 puts bought 750X at \$2.28 on 2/4, 2000 June \$52.5 and \$50 puts, and some size in January \$55 puts from buyers with 2900X in OI. STX shares put in a big double top at the \$60 level and now pulling back with trend support back at \$43 which may be tested. The \$13.2B data storage company trades 9.4X Earnings, 7.9X EBITDA, and 26.7X FCF with a 5.17% dividend yield. STX has struggled to grow the topline for the last five years and sees just 2.6% EBITDA growth for 2020. STX is coming off its fastest product ramp in history with its industry-leading 16-terabyte drives and sees strong demand for mass capacity storage offsetting declines in legacy markets in 1H20. STX spoke earlier this week at the Morgan Stanley Tech Conference, noting the company is in the middle of a large pivot with 50% of revenues now from mass capacity storage versus 20% five years ago and sees that as a secular growth story continuing. Those are applications like cloud and surveillance, where there's really no NAND cannibalization risk and the end markets are growing very fast. Surveillance demand has a lot of exposure to China which could impact STX the next quarter or two. Analysts have an average target of \$59 and short interest at 5.2% of the float has been steadily declining to a one-year low. STX will next report results at the end of April. RW Baird recently upgraded shares to Outperform seeing market share gains and margin expansion in the second half. Stifel raised shares to Buy on 2/2 with a \$70 target seeing momentum in the data center and hyper scale environment and liking its competitive positioning in the near line capacity drive segment moving forward. Off Wall Street was out with a short call in late January expecting competitors to take share from STX including Toshiba who is pricing aggressively and also notes SSDs are displacing HDDs in client computing applications. Hedge Fund ownership fell 2% in Q4 filings, ValueAct a top holder as its 2<sup>nd</sup> largest position.

### Hawk Vision:



**Hawk's Perspective:** STX is tough to short after a 20% sell-off and trading at cheap valuation with a fat dividend yield, and though I always prefer WDC to it, not looking to bet against it at these levels.

**Confidence Ranking:** \$\$