



Traders Position for Upside in Mellanox in Event-Driven Play

Ticker/Price: MLNX (\$119.85)

Analysis:

Mellanox Tech (MLNX) with 1500 September \$115 calls bought \$11.20 to open and spread with the \$135 calls sold for \$2.40 on 3/4 and follows recent trades including 10,500 June \$125 calls bought, 1000 September \$115/\$135 call spreads bought, and 4000 January \$130 calls bought. MLNX shares have consolidated above the rising 55 MA and held up well as the company received a takeover offer in March 2019 from NVIDIA (NVDA) for \$6.9B at \$125/share cash. NVDA expects the deal to close early 2020 but is still awaiting a ruling from China's regulatory agency and if terminated MLNX would receive a \$350M termination fee. The options market appears to be positioning for this deal to not go through and for MLNX shares to react positively, and considering shares trade just 14X Earnings and 5X Sales it could re-rate higher in-line with peers if it returns to independent. MLNX is a fables semiconductor that is seeing strong growth due to exponential growth of data and real time analytics which requires its high throughput, low latency, smart interconnect solutions. MLNX announced a deal earlier this week to acquire Titan IC, a leading developer of network intelligence and security technology in data centers. SIG raised shares to Positive on 2/18 with a \$145 target seeing three potential outcomes noting approval would result in a \$125/share deal if coming before June 10th, failed approval and cancellation of the deal could value MLNX as high as \$160, while the third scenario is MLNX asking NVDA for a sweetener of \$145/share to extend the deal to await for approval.

Hawk Vision:



Hawk's Perspective: MLNX seems like a can't miss play here and thinking \$135 may end up being the final price based on flows. It can be played simple owning stock and selling January \$135 calls in a buy-write, which offer around a 16% return, or with \$115/\$135 call spreads.

Confidence Ranking: \$\$