



Alexion Bullish Trades into Lows

Ticker/Price: AMAT (\$44.20)

Analysis:

Applied Materials (AMAT) with 2,000 April \$50 calls bought today up to \$2.32 to open and follows recent sellers in the April \$43 puts, January \$60 puts and January \$50 puts, the latter over 7000X. AMAT has seen buyers in the recent sell-off in the July \$55 calls and out to the January 2022 calls as well. Shares are down to the low-end of weekly cloud support and bouncing this week while also holding the high-end of the three-year value range at \$40. AMAT also remains above the long-term trend support at \$37.50/\$40. The \$43.3B company trades 8.6X earnings, 2.88X sales, and 11X cash with a 2% yield. AMAT has seen estimates rise over so far in 2020 and now targeting mid-teens EPS growth and revenues up 8%. AMAT has already given guidance regarding COVID-19 and sees the disruption as minimal while they also likely benefit ahead of many as China, South Korea, and others in Asia are resuming production already. They see the biggest headwind being a shift back in spending by one or two quarters as customers adjust. Overall, they remain positioned well in a number of powerful semi trends and momentum in DRAM, NAND, and other key markets starting in late 2019 expected to continue. Analysts have an average target for shares of \$72. Citi positive on 3-10 naming the company their Top Pick in the space given the semi spending cycle likely gets extended now as COVID-19 pushes some company plans out into the second half of 2020. They like AMAT given its more defensive display product portfolio appeal and better execution by management. DA Davidson upgrading to Buy in February given positive industry comments behind NAND memory gaining momentum and a DRAM recovery in 2020. Short interest is 1.8%. Hedge fund ownership rose 1.2% in Q4 and notable buys from ArrowStreet, Point72, and Polar Capital.

Hawk Vision:



Hawk's Perspective: AMAT valuation looks quite attractive but hard to evaluate true estimates currently and trying to own stocks below the 200 MA has been a negative return strategy.

Confidence Ranking: \$\$