



Broadcom Bullish Trades on Attractive Valuation

Ticker/Price: AVGO (\$237)

Analysis:

Broadcom (AVGO) seeing a lot of options activity this week and on 4/2 the April \$220 synthetic long opened 900X, the April 9th (W) \$220 and \$230 calls opened 500X, and January \$220 puts traded a large 1600X block tied to long stock. AVGO has also recently seen the June \$240 puts sold to open 1000X, the June \$230 calls bought to open 800X, and still has notable bullish open interest in January 2021. The \$95B Tech company continues to screen as one of the most attractive, a strong Semiconductor company that has been transitioning more to software. AVGO shares have rebounded to the middle of a multi-year range and \$253 a key resistance volume node. Shares trade 9.35X Earnings, 4.2X Sales and 19.2X FCF with a 5.2% dividend yield. AVGO does carry plenty of debt but also has strong liquidity ratios and ample cash flow. AVGO has been shopping its RF unit and could see news there this week. Semiconductor Solutions still account for 77% of sales with Networking, Broadband, Enterprise Storage, Wireless and Industrial main segments while Infrastructure Software includes Mainframe, Enterprise, Cyber Security (Symantec Deal), and Storage Area Networking. On 3-13 AVGO pulled its full year guidance on lack of visibility, like most companies. Analysts have an average target of \$293 and short interest at 1.1% of the float has declined to multi-year lows. BMO upgraded to Outperform on 3-16 with a \$330 target seeing attractive valuation on a FCF basis. KeyBanc earlier this week adjusted its target up to \$290 seeing it well positioned to weather the COVID-19 storm with exposure to datacenter infrastructure and broadband access, both areas with strong demand trends from the work from home push. Barclays reduced its target to \$320 on 3/13 noting the debt load has led to underperformance in shares but the current high yield and diversified business model makes it attractive to own. Loop Capital upgraded to Buy on 3/13 seeing it well positioned when markets stabilize. Hedge Fund ownership fell 2% in Q4 filings, notable concentrated holders include Coatue Mgmt., Lyrical, and Cantillon.

Hawk Vision:



Hawk's Perspective: AVGO is a name I see value in and above \$245 could be good for a quick 30 point trade.

Confidence Ranking: \$\$