



Option Traders See KeySight Lows Holding

Ticker/Price: KEYS (\$83.50)

Analysis:

Keysight Tech (KEYS) yesterday with an opening seller of 1000 August \$82.50 puts for \$8.50, confident in the current base and willing buyer just below yesterday's range. KEYS has recently seen sellers in the Nov. \$70 puts and still has some May \$90 short puts in OI that are underwater. Shares are back at the low-end of weekly cloud support and well-above trend support from the 2016 lows. The 50% retracement of the rally from the Dec. 2018 base is right at \$81.50. The \$17.27B company trades 15.7X earnings, 3.9X sales, and 20.7X FCF with a solid cash position and limited debt. KEYS has high-single digit revenue growth and EPS expected up 20% in FY22. KEYS provides electronic testing and measurement equipment like oscilloscopes, network analyzers, and spectrum analyzers used by wireless communications, industrial, and semiconductor markets. They were critical in the development and implementation of 4G LTE, allowing carriers to provide faster more efficient data-rates and expected to play a huge role in 5G as well. KEYS was spun out of Agilent (A) and has spent a lot of time in recent years positioned itself into higher-margin businesses with commercial solutions now a bigger part of the mix while their first-to-market 5G products will help them gain share. KEYS has a \$17.5B addressable market with \$8.5B in commercial communications, \$4.2B in aerospace, and \$4.8B in electronic industrial. 5G is the main driver while semiconductors and automotive also growing markets. Analysts have an average target for shares of \$114.50. Stifel positive on 3-18 noting demand should pick up as COVID's impact scales back most of the risk over the short term lies on the supply and operations side, and that demand for many long-term trends the company sells into remain intact. Citi positive on 3-4 with KEYS as the best way to play 5G. Credit Suisse positive on 3-4 noting that growth has a long runway given that KEYS had Y/Y growth in 15 straight quarters with 4G's rollout and 5G's window is opening 2020-2023 with 400G still in the early innings. Regarding COVID, they note that it while a near-term global pause in 5G rollouts might be extended, it allows the supply chain to adjust to any over exuberance in 2H 2019 5G handset builds which may end up being a net positive. Short interest is 6.2% and near multi-year highs. Hedge fund ownership fell 2.3% in Q4.

Hawk Vision:



Hawk's Perspective: KEYS is a name I have liked but with 5G being pushed back and a weak market, a name prefer to buy in the low \$60's if it can get there with the current technical view showing a large volume pocket.

Confidence Ranking: \$\$