



Fortinet Bulls Active into Weakness

Ticker/Price: FTNT (\$101)

Analysis:

Fortinet (FTNT) bullish action on 4/21 with 500 January \$105 calls bought in a stock replacement for more than \$800K, the January \$90 puts bought 500X tied to long stock, and 1000 May \$115 calls bought to open. FTNT does not have a lot of open interest of note, the September \$75 short puts sit in OI 1770X and May \$100/\$90 bull put spreads 1200X. FTNT has been a relatively stable performer until pulling back 10% on 4/21 but back to a key VPOC support and retesting an April breakout level. Shares remain not far from the \$121.80 highs earlier in February. FTNT will next report 5/6 and shares higher two of the last three reports. The \$19.3B leader in cyber-security trades 6X FY20 EV/Sales, 36.35X Earnings and 27X FCF with revenues seen rising 15-17% each of the next two years. FTNT is seen as a leader protecting two key secular trends in enterprise, the cloud and the move to edge computing. It sees a combination of Cloud Security, Endpoint Security, Network Security, and Security Infrastructure amounting to a \$60B TAM by 2023 at a 7% CAGR. Analysts have an average target of \$120 and short interest at 4.8% of the float has jumped 50% Q/Q. Piper noted outsized share gains after the latest report and success selling into large enterprises as well as strength of its Security Fabric platform. Moness Crespi noted on 2/7 increased diversification in the business and sees shares attractively valued, a Buy rating and \$133 target. Ray-Jay lowered its target to \$115 in early April but did note FTNT's lower cost solution versus PANW/CHKP may benefit in a recessionary environment.

Hawk Vision:



Hawk's Perspective: FTNT is one of the more attractive valuation names that is also generating strong results, peers CRWD/OKTA trade much richer making FTNT a nice own.

Confidence Ranking: \$\$