



Lumentum Bulls Look for Resumption Higher after Earnings Consolidation

Ticker/Price: LITE (\$81.25)

Analysis:

Lumentum (LITE) strong run late with 1,500 June \$75 calls bought up to \$9.40, unusual size for the name which has little other notable open interest. Shares are consolidating in a bull flag above the 20- and 50-MA with a move over \$84 targeting recent highs around \$93. Longer-term, LITE pulled back to major volume support and a big node from 2017/2018 and bounced with a measured move to \$115. The \$6.34B company trades 14.24X earnings and 3.6X sales with near \$17/share in cash on hand. They have minimal near-term maturities with a 5.6X Current Ratio. LITE sees 10-11% revenue growth in FY22. LITE manufactures and sells optical and photonic components such as optical transceivers, commercial lasers, and diode lasers. The company is in the sweet-spot of a number of big tech trends including biometrics, AR/VR, LiDAR, and data center. They see near-term tailwinds from COVID-19 which is likely to shift more applications to the cloud and drive demand for more efficient, low-latency fiber optics. LITE expects some lumpiness as supply constraints in March were heightened due to COVID-19. They're coming off a strong quarter with data center demand bookings up 10% and chip revenue lifted by cloud and 5G demand. Analysts have an average target for shares of \$90.50. Craig-Hallum with a \$100 PT on 5-6 citing strong gross margins being driven by the optical business and very strong demand serving Telecom/Datacom. Piper with a \$100 PT as well noting that Lumentum continues to deliver on its promises of merger synergies. Short interest is 10.7%. Hedge fund ownership rose 18.75% in Q4. Hood River Capital a notable buyer.

Hawk Vision:



Hawk's Perspective: LITE is one of the stronger chip growth stories and alerts set for move out of this consolidation range.

Confidence Ranking: \$\$