



FEATURED OPTIONS RADAR REPORT



Keysight Calls Position for New Highs As 5G Cycle Surges

Ticker/Price: KEYS \$99.18

Analysis:

Keysight Tech (KEYS) with 2,000 September \$100 calls bought up to \$6.40 yesterday and follows buyers in the Aug. \$95 calls last week on 7/17. KEYS is popular with put sellers and recent activity at the Aug \$100, \$97.50, \$87.50 and \$85 strikes. The Aug. \$100 calls have 2,000 in OI from a buyer in June. KEYS has bounced back strong since late March when we last looked at the name and now setting up in a weekly bull flag under \$105 which has explosive longer-term potential up to \$140. Shares are also forming the right shoulder of an inverted head-and-shoulder pattern. The \$18.28B company trades 19.66X earnings and 4.35X sales with a strong cash position and limited debt. KEYS sold off in March/April as fears that the 5G cycle would be delayed or pushed back due to COVID-19. But KEYS noted just a 3% decline in orders Y/Y in May with book-to-bill over 1 for the eight straight quarter and they continue to set new records in 5G customer solutions processing. The resiliency in their growth verticals shows that large tech is prioritizing next-gen tech like 5G, 400G and other advanced process nodes during times of cost-cutting. They also continue to see strong order growth from aerospace and defense demand, an area which should get reaffirmed with the upcoming DoD budget. KEYS will report in late August and likely posts further upside as services/software gains adoption and commentary from 5G operators remains positive. Analysts have an average target for shares of \$118 with 8 buy rating and 1 hold. JP Morgan upgrading to Overweight on 6/1 with a \$127 PT as a top 5G growth play. KEYS offers the opportunity to participate in "robust growth" for test and measurement equipment in the communications end-market with "strong leverage" to the 5G cycle. Jefferies positive on 6/4 calling KEYS a 'cash flow darling' which generated more than a 10% increase in operating cash flows in Q1 despite the pandemic. Short interest is 4.6% and down a bit from our last focus piece in late March when it was 6.2%. Hedge fund ownership rose 7% with KCL Capital and Holocene both buyers.

Hawk Vision:



Hawk's Perspective: KEYS has run a bit since we last wrote on it in late March but remains one of the preferred plays on 5G given their exposure and above \$102 has a clear path back to new highs

Confidence Ranking: \$\$