



FEATURED OPTIONS RADAR REPORT



Applied Materials Bullish Positions Accumulate

Ticker/Price: AMAT (\$61.60)

Analysis:

Applied Materials (AMAT) buyer of 5,000 October \$70 calls today for \$2.34, adjusting higher some July \$60 calls, and follows buyers of more than 4650 October \$72.50 calls recently targeting new highs into the 2H of the year. Shares are consolidating in a small flag above the 8- and 21-MA with a move above \$63.75 in focus for continued momentum higher. AMAT has been in a strong trend since our last write-up in mid- March and poised for new highs above \$69.50 which sets up for another big leg higher. The \$58.15B company trades 14.6X earnings and 3.77X sales with plenty of cash flows and a 1.4% yield. AMAT trades at a discount to peers despite high-teens EPS growth and accelerating topline growth through FY22. AMAT has China/Huawei risks but the company expects final rules in a few months will be more positive than initially reported. The company was at the BAML Virtual Tech conference in early Jun and noted they expect a 2H recovery in volumes and demand as companies work through inventory builds and shutdowns ease, restarting the demand engine for many of their end-markets. They remain confident on visibility given a record backlog exiting Q2 and continued strength in the order book from multiple customers and for multiple nodes. AMAT also expects continued strength in foundry/logic. Analysts have an average target for shares of \$68 with 19 buy ratings, 5 hold and 1 sell. Credit Suisse at a Street High \$85 PT. Deutsche Bank positive last week noting that the completion of the pending Kokusai acquisition will be a positive catalyst. B Riley upgrading to Buy in June noting that the lack of multi-year memory capacity spend, coupled with fast-paced leading-edge Foundry/Logic shrinks support strong growth in 2021. Short interest is 2%. Hedge fund ownership rose 2.85% in Q1. Parnassus and Cantillion Capital notable buyers.

Hawk Vision:



Hawk's Perspective: AMAT consolidating nicely and \$63.50 is where I have an alert set, a name that continues to look attractive on valuation.

Confidence Ranking: \$\$