



FEATURED OPTIONS RADAR REPORT



Analog Device Traders Bullish on Maxim Deal

Ticker/Price: ADI (\$118.50)

Analysis:

Analog Devices (ADI) with 900 December \$125 calls bought this afternoon for \$8.30 to \$8.70 and volumes now over 1,275X, follows 10,000 August \$110 puts sold to open yesterday for \$3.40. ADI also had 2,500 September \$125 calls bought on Monday around \$5.50. Shares traded back to the rising 50-MA this week and putting in a hammer reversal with eyes on the recent range high around \$125. A breakout targets a new all-time high. The \$43.5B company trades 23.5X earnings and 7.8X sales with a 2.1% yield. ADI has been in focus this week after their \$21B deal for Maxim (MXIM), an all-stock transaction that positions them as a leader in the space with significant exposure to automotive, data center, industrial automation and 5G. ADI is targeting \$275M in cost savings by year two but biggest benefit is that it positions them to challenge larger peers like TI (TXN) for new content wins. Analysts have an average target for shares of \$125. CSFB raising their PT to \$150 noting that the deal gives them great visibility given 80%-85% of revenue of the NewCo will be in end markets with 3-5 year design cycles with product life cycles of greater than 10 years. Keybank with a \$155 PT as they think the new ADI will have greater scale and profitability and a clear path to 71% gross margin and 45% OM. Short interest is 1.2%. Hedge fund ownership fell 2.2% in Q1. Melvin Capital a top holder with a new 1M share position. On 3/19 a director bought \$230K in stock at \$87.42.

Hawk Vision:



Hawk's Perspective: ADI also raised guidance with the deal and a management team I have grown to trust, so this deal likely works out very well and ADI remains a Semi leader in all the right markets.

Confidence Ranking: \$\$