



Teradyne Call Buyers See Strength into Year-End as Semi Cycle Ramps

Ticker/Price: TER \$87

Analysis:

Teradyne (TER) early buyers of 1,150 January \$90 calls up to \$9.70 to open today and name which has drawn a lot of bullish flow over the last couple months including buyers of 1,000 Jan. 2022 \$82.50 calls for more than \$1.85M on 7/1 and sellers in the Jan. 2022 \$75 puts. Shares are consolidating in a bull flag after a strong run higher and move above \$90.50 has room to \$100+. The \$15.15B semi equipment company trades 22X earnings, 5.45X sales, and 39.5X FCF with a small yield. TER is benefitting the resurgence in semi production and positive commentary this quarter from peers across data center and memory. TER has not been immune to the slowdown in automotive and industrial markets but noting M/M improvement in June and likely a 2H of 2020 or early 2021 story as those end-markets ramp back up. They'll also see tailwinds from a better consumer chip market with new smartphone roll outs in the 2H and positive commentary this week from Samsung and others supports the more positive view. TER is guiding to low-double digit EPS growth and accelerating topline into FY22. Analysts have an average target for shares of \$77. CSFB raising their PT to \$90 behind record shipments in SoC Test from accelerated handset demand in Q2 and Memory/Storage share gains and product ramps in Q3. Stifel and Northland both positive as well but cautious on valuation as further upside would require closer to \$5/share in EPS which is hard to see in the current environment. Short interest is 5.6%. Hedge fund ownership rose 1% in Q1. Alkeon Capital, and Merian Global notable buyers.

Hawk Vision:



Hawk's Perspective: TER has been a favorite name for a while now and sets up well for a breakout of this range above \$90.50 in the short-term and one to eye on dips with the longer-term positioning as well

Confidence Ranking: \$\$