



FEATURED OPTIONS RADAR REPORT



Dell Calls Accumulate as PC Sales Surge, VMW Stake Decision Anticipated

Ticker/Price: DELL \$59.50

Analysis:

Dell Tech (DELL) with 1,100 December \$62.50 calls bought on 8/13 for more than \$1.2M, buyers paying around \$10.70, and follows a \$1.7M buy in the December \$60 calls on 8/11. DELL has seen some near-term flows as well in the Aug. \$62.50 calls while the September \$55 calls with 950 in OI from a buyer on 7/28. DELL closed weak with a gap under \$57.80 back to \$55.75 which aligns with the rising 50-MA and trend support from the March lows. The current consolidation under \$61 has room to \$67 on a run higher. The \$44.23B company trades 8.83X earnings, 0.5X sales, and 6X FCF with high-teens EPS growth. DELL has a lot of moving parts but they should post strong PC sales in Q2 with Work-from-Home tailwinds and IDC noting that shipments in the industry overall were up 11%, the highest since 2009.

They also likely fare well into the Fall with Back-to-School season driving larger uptake of new purchases as more students outfit home setups given the growing need for e-learning. The main focus for DELL in recent weeks has been their stake in VMW. In July the company said they were exploring a spinoff of their stake in order to unlock value. The 81% position would happen after September 2021 and be tax-free. The move would improve DELL's investment grade status and help them pay down their near \$50B in debt. Analysts have an average target for shares of \$54.50. Deutsche Bank with a \$65 PT while MSCO upgrading to Buy saying Dell will now offer a combination of market share gains, delevering potential, and a simplified ownership structure. JP Morgan added shares to their Focus List noting that the firm expects an immediate benefit to Dell shares, "even with a one-year wait." They see \$80/share potential under the best scenario. Short interest is 1.1%. Hedge fund ownership rose 7.6% in Q1, Canyon Capital, Fir Tree, and Lakewood Capital all notable buyers. In March, Michael Dell bought \$26.5M in stock at \$31.70.

Hawk Vision:



Hawk's Perspective: DELL closed weak yesterday and more attractive entry if it can get back to the 50-MA and trend support around \$55 and with earnings on 8/27, one to watch for a better setup into that event

Confidence Ranking: \$\$