Arista Network Call Buyers into Sell-Off

Ticker/Price: ANET ($223.50)

Analysis:

Arista Network (ANET) seeing 945 September $230 calls bought $10 to $10.40 range into these post-earnings declines and action now over 1,180X in the opening hour for over $1M. ANET does not have a lot of size in open interest currently but bullish bias in September and January expirations. ANET was in a hot run into earnings and now pulled back hard near the rising 55 day moving average and testing a key volume node, potential spot for a reversal if growth Tech comes back into favor. ANET shares are also right at a 38.2% retracement of the March low to July high. ANET will be speaking next week at the KeyBanc Tech Conference and on 9-9-20 at the Citi Tech Conference. ANET beat on EPS and revenues and guided above Street consensus for Q3, so the move in shares is odd. The company did note a delayed 400-gig migration and noted it is winning a ton of customers. The $17.9B maker of cloud networking solutions trades 24X Earnings, 7.9X Sales and 19.5X FCF with a clean balance sheet and plenty of cash, an attractive name. ANET forecasts see 14% revenue and 11.5% EPS growth in FY21. ANET participates in the Data Center and Campus Ethernet Switch industries and key competitor Cisco (CSCO) reports this week. ANET sees a path to a $30B TAM and has been a major market share winner and industry leading operational efficiency. Analysts have an average target of $245 and short interest at 7% of the float has risen 45% Q/Q. Citi last week called the sell-off an attractive buying opportunity and raised its target to $290, noting the pullback is on margin concerns due to higher shipping and component costs. Hedge Fund ownership jumped 11% in Q1 filings, Ruane Cunniff and Goldfarb a notable 6.5% weighting.

Hawk Vision:

Hawk's Perspective: ANET is a favorite value for growth name and like it into these declines, see an opportunity for a strong recovery once Tech growth comes back into favor.

Confidence Ranking: $$