



FEATURED OPTIONS RADAR REPORT



VMware Bullish Positioning with Breakout Move

Ticker/Price: VMW (\$147.2)

Analysis:

VMware (VMW) with 600 January 2022 \$140 calls bought for \$24.50 to open today, stock replacement with shares pulling back to re-test the recent base breakout. VMW has been quiet lately but has some size put sales in the April, September, and Jan. 2022 expirations while the April \$150 and \$180 calls remain in OI from buyers in June. Shares have a measured move out to \$180 from this recent range but plenty of long-term upside as the trend shifts out of a two-year downtrend. The \$63.12B company trades 20.45X earnings, 5.4X sales, and 17.3X FCF with accelerating top and bottom-line growth. VMW was at the Citi growth conference in September and noted strength in deals over \$10M in value with multi-cloud, security, networking and more driving demand. They also continue to see rapid adoption of their VMWare on AWS offering after triple-digit growth in Q2. VMW sees long-term tailwinds from COVID as it accelerates SaaS and cloud transitions and now 22% of their overall mix, a spot where they can improve in 2021 as they target a SaaS element in every vertical of their business offering. The company also has a major catalyst overhang with DELL contemplating spinning off their stake in the company. They have formed a special committee to explore the best path forward. VMW has said that anything that occurs with DELL will be consummated before September of 2021, so today's flows align with that timeline. Analysts have an average target for shares of \$168 with Citi at a Street High \$200. KeyBanc recently moving up to \$180 PT noting that the Q3 KBCM IT VAR Survey provides a constructive view on 2021 spending, which he sees as a net positive to a company like VMware that has access to many spending silos within a Global 2K's IT budgeting process. Short interest is 1.6%. Hedge fund ownership rose 19.2% in Q2.

Hawk Vision:



Hawk's Perspective: VMW above \$157.5 would trigger a major long-term breakout and should see support hold near \$145, so reward/risk setting back up favorably for a name with plenty of fundamental drivers.

Confidence Ranking: \$\$