



## FEATURED OPTIONS RADAR REPORT



### Western Digital Long Term Call Buys Sees Value

**Ticker/Price:** WDC (\$37.55)

#### Analysis:

**Western Digital (WDC)** with 1,100 January 2023 \$40 calls bought today for \$10.05 in a stock replacement and follows active buying in the October \$50 and November \$50 calls recently. WDC has been a laggard for most of 2020 but longer-dated put sales in size at the January 2023 \$40, January 2022 \$45, and January 2022 \$30 level seeing value into the next 24 months. Shares are forming a higher low versus the recent post-earnings dip and above \$39 has room to \$46 and the 200-MA. The \$11B company trades 5.75X earnings and 0.66X sales with easier comps into FY22 against tempered expectations seeing revenue growth of 15%. They see strong earnings power into the next two years as well with as much as \$10/share by FY23. WDC installed a new CEO in March and recently saw the first major action of his tenure as they announced an internal separation of their HDD and Flash businesses. The move is expected to drive growth as it allows both units to focus independently on investments and long-term vision and ultimately many see it as a precursor to a spin in the next 2-3 years. Analysts have an average target for shares of \$62.50. Cleveland Research raising to Neutral on 9/23 citing improved demand outlooks and near-term Cloud demand as stable to better, with improving mobile demand, and the NAND market turning more favorable in 2021 as demand outpaces supply. Craig Hallum upgrading to Buy with a \$62 PT recently. The company also has a near-term catalyst with Kioxia's IPO in Japan which Deutsche Bank believes will help bring attention to WDC's flash memory business which is being undervalued by the market. Short interest is 3% and near two-year lows. Hedge fund ownership fell 7% in Q2.

#### Hawk Vision:



**Hawk's Perspective:** WDC can trigger above \$39 but overall the memory space been tricky and a value trap while a number of better growth themes play out in Tech.

**Confidence Ranking:** \$