



FEATURED OPTIONS RADAR REPORT



Ericsson Longer-Dated Calls Buy into Earnings on Valuation, 5G Potential

Ticker/Price: ERIC (\$11.10)

Analysis:

Ericsson (ERIC) with 2500 January 2023 \$10 ITM calls being bought to open at \$3 on the open and still has 14,000 January \$10 calls bought in open interest from August trades as well as 10,000 January 2012 \$12 short puts. ERIC also has 10,000 November \$11 synthetic long positions in OI. On the chart ERIC with a nice pullback and base on the rising 21 week moving average and starting to work higher out of its base this week with room to take out the highs and hit \$15. ERIC is a 5G play and has been signing multiple contracts and sees 190M subscriptions by year-end and also been winning share from Huawei which has been under fire. ERIC will report numbers tomorrow morning and shares higher 7 of the last 10 reports including a big 13% jump last quarter. In September it announced a \$1.1B deal for networking specialist Cradlepoint which expands its 5G offerings. The \$37B company trades 16.2X Earnings, 1.43X Sales and 34.7X FCF with a 1.55% yield. ERIC forecasts see 6% revenue growth in 2020 and 2021 and EPS growth of 17% and 26% respectively, impressive for its cheap valuation. Analysts have an average target of \$12.50 and short interest minimal at 0.5% of the float. ERIC has not seen recent coverage but in July JPM noting it is positioned well for the 5G cycle with a strong product. Bloomberg reported in May that ERIC is seeking a buyer of its UC call routing unit Iconectiv that could fetch \$1.5B to \$2B.

Hawk Vision:



Hawk's Perspective: ERIC is not followed too closely and earnings tomorrow likely a positive catalyst, a name that can pay off short and long-term as a 5G play.

Confidence Ranking: \$\$