



FEATURED OPTIONS RADAR REPORT



F-5 Bulls Adjust, See Upside Push Continuing

Ticker/Price: FFIV (\$158.80)

Analysis:

F5 Networks (FFIV) with 5,000 January \$170 calls bought today for \$3.84, adjusting the 2,500 December \$170 calls bought recently and adding to their overall position size. FFIV lacks any other notable open interest in the name and quiet tech name for much of 2020. Shares jumped recently after Elliott Management disclosed a minority stake in the company and now consolidating under \$165 and the April-to-October range measures out to \$200 for further upside. FFIV cleared a multi-year downtrend in April. The \$9.37B company trades 14.2X earnings, 4X sales, and 8.5X cash. FFIV has been a transformation play for the last two years as they focus on becoming a predominantly software-focused company. In Q4, they topped 70% of their overall revenue from subscriptions, up from 55%, and they see further upside as they reduce friction in buying and deploying their core BIG-IP packages. FFIV sees a big refresh cycle ahead as customers look to handle bigger capacity in the hybrid and multi-cloud worlds. FFIV held their analyst day earlier this week but updated long-term metrics on 11/9 long-term revenue growth of 8-9% and mid-30% operating margins. They also announced a \$1B buyback and intentions to return 50% of FCF beyond 2022 to shareholders. Analysts have an average target for shares of \$168 and Needham with a Street High \$210 recently. CSFB positive this morning noting that F5 is "significantly underappreciated" when factoring in its attractive recurring revenues mix, stabilizing systems revenues decline, security business momentum, and indexation to adaptive application growth. FFIV with a sizable insider buy in August as the EVP of Global Strategy bought \$1.1M in stock at \$136.50. Hedge fund ownership rose 7.65% in Q3. Elliott's stake is interesting given their long history of success in the tech space. Short interest is 7% and rising from around 4% in June.

Hawk Vision:



Hawk's Perspective: FFIV has been noted previously as an intriguing value name in a group full of high valuations and has its business transforms and growth improves shares should re-rate higher. A nice flag setting up near-term.

Confidence Ranking: \$\$