



## FEATURED OPTIONS RADAR REPORT



### Bulls Look for Upside Move in Best-in-Class Semi with 2022 Deal Synergies

**Ticker/Price:** ADI (\$166.50)

#### Analysis:

**Analog Devices (ADI)** with 10,000 September \$165 calls opening \$4.40 after seeing some December \$165 puts close earlier this week and follows buyers yesterday in the Sept. \$167.5/\$172.5 call spread. ADI has seen accumulation in August in the Sept. \$170 calls, over 10,000X, and the \$175 and \$180 calls have near 10,000 in open interest with buyers active earlier in the month. The December \$185 and \$195 calls also active with size buyers on 8/4. Shares are trading in a narrow multi-week flag under new highs with a breakout above \$173 measuring out to \$190. ADI has trended above YTD VWAP over the last three-months and break higher a continuation of the longer-term strength. The \$61.23B company trades 23X earnings, 9.4X sales, and 48.75X FCF with a 1.66% yield. ADI is coming off a strong quarter with strength in industrial markets while record bookings, lean inventories, and expanded capacity position them well for 2022. ADI is benefitting from major trends like factory automation while automotive should continue to improve as tight conditions ease into year-end and manufacturing ramps again. ADI received antitrust clearance in China this week for their Maxim (MXIM) deal and expects to close now at the end of the month. The deal was announced in July 2020 and greatly expands their scale and exposure to industrial, communications and digital healthcare markets which are undergoing some massive secular shifts in tech. Analysts have an average target for shares of \$182.5 with a Street High \$200 from Needham. The firm out positive on 8/19 calling it a core holding in any semiconductor portfolio given its high-performance catalog analog solutions and margins that rank among the best in the industry. Stifel positive as well noting the tight supply and a low-channel inventory environment is likely to persist well into 2022. Truist sees multiple quarters of growth ahead due to the company's smart organic investments and M&A benefits, while expanding gross margins are likely to continue due to the still-improving benefits of Linear Technology transaction. Short interest is 11.5%. Hedge fund ownership rose 5% last quarter. Winslow Capital, Egerton Capital, Soroban Capital, and Point72 notable buyers.

#### Hawk Vision:



**Hawk's Perspective:** ADI is a best-in-class name tied to some major secular trends and has a very strong history of integrating deals and driving synergies so the Maxim deal is a significant event that should play out throughout 2022

**Confidence Ranking:** \$\$\$