



Audio Codes Bullish Spreads into Weakness

Ticker/Price: AUCD (\$20.80)

Analysis:

AudioCodes (AUCD) bullish spreads today into weakness selling the September \$17.50 puts to buy the \$22.50/\$30 call spread 1,000X and popular strategy in the name. AUCD has 1,500 Sept. \$22.50 short puts in OI while the June \$20 short puts are over 2,200X and spread with the \$22.50/\$30 call spread. AUCD also has bullish March \$22.50 calls in OI over 1,250X. Shares have been in a very strong long-term trend and pulling back over the last two weeks with this morning's low just near the rising 200-MA at \$19.50. AUCD is also hammering off the 38.2% Fibonacci of the recent rally from the 2018 lows. The \$675M company trades 17X earnings, 3.37X sales, and 10.5X cash with a 1.12% yield. AUCD is guiding to 20%+ EPS growth the next two years with topline growth in the high-single digits and accelerating. AUCD is a provider of advanced voice networking solutions across software-defined voice networks, contact centers, flexible IP solutions, and more. AUCD has a deep lineup of partners including Zoom (ZM) and Microsoft (MSFT), the latter one where they partner on the emerging Teams platform and Skype for Business. AUCD is coming off a strong quarter with 15% revenue growth, continued margin expansion (up 240 bps), and market penetration into Enterprise Voice. They also received approval for additional buybacks and dividend as part of a capital return plan. Analysts have an average target for shares of \$27 with limited coverage. Sidoti has a \$34 PT for shares and Buy rating while Needham positive on the stock given its growing Teams momentum and service provider wins that support Services and gateway growth. Short interest is less than 1%. Hedge fund ownership fell 12.75% in Q3.

Hawk Vision:



Hawk's Perspective: AUCD was a top discovery last year that ran a long way and finally correcting back to its 200 MA. I think it's an attractive name back at this level.

Confidence Ranking: \$\$