

SPOTLIGHT OPTION TRADE



Broadcom a Best of Breed Semi, Undervalued

TRADE SNAPSHOT

TICKER	AVGO
SECURITY	Broadcom Inc.
SECTOR	Tech – Semiconductor
CURRENT PRICE	\$312.70
LONG/SHORT	Long
TARGET	\$320 on May OpEx; \$340 in June
STOP	\$300
TIMEFRAME	7 Weeks

Trading Strategy: Long the **AVGO** May/June \$320 Call Calendar Spreads at \$6.50 Debit

Net Debit/Credit: Debit of \$6.50

Profitability Zone: AVGO in \$310/\$330 Range on May OpEx

Greeks: Delta 9; Gamma -1; Vega 22; Theta 4

Options Volatility / Trade Simulator View:





Technical Analysis: AVGO shares with a key trend breakout and now in a rising channel on the weekly with RSI supportive. Shares continue to have a measured move target of \$350.



Fundamental Analysis: The \$124.35B acquisitive Semi trades 11.9X Earnings, 5.85X Sales and 22.6X FCF with a 3.4% dividend yield. AVGO expects 17% revenue growth this year and 10.8% EPS growth. AVGO is a leader in R&D and has entered the Software industry with its large acquisition of CA Associates. It has strong exposure to Industrial, Wireless, and Data Center in Semiconductors. Gross Margins hit 71.4% in Q1 2019, up from 64.8% in Q1 2018. It is a free cash flow machine with a FCF 5 year CAGR of 81% and continues to pay a healthy dividend and buy back stock. Analysts have an average target of \$315 on shares and short interest is down 45% Q/Q to a 1 year low at 1.4% of the float. BAML on 4-2 raised its target to a Street high \$375 citing its diversified business, strong free cash flows, best-in-class dividend and cheap valuation. On an EV/FCF basis AVGO trades at a steep discount to its peers. KeyBanc raised its target to \$350 last week on supply-chain feedback seeing it regaining the mid-high band PAD share back from QRVO in the 2019 iPhone.

Options Activity:

Date	Description	Volume	Open.Int.	Price	%Change	Delta	Impl Vol	Prob.ITM	Premium Paic	Symbol
4/23/2019	AVGO 100 21 JUN 19 310 CALL	1,430	2,029	\$16.60	0.30%	0.57	28.85%	52.04%	\$2,388,100	.AVGO190621C310
4/23/2019	AVGO 100 21 JUN 19 330 CALL	1,160	2,753	\$7.10	-1.39%	0.34	26.53%	30.35%	\$858,400	.AVGO190621C330
4/22/2019	AVGO 100 21 JUN 19 300 PUT	1,512	708	\$8.45	22.46%	-0.32	28.57%	36.56%	\$1,277,640	.AVGO190621P300
4/22/2019	AVGO 100 21 JUN 19 330 CALL	1,546	1,416	\$7.20	-19.10%	0.34	25.94%	30.52%	\$1,113,120	.AVGO190621C330
4/18/2019	AVGO 100 20 SEP 19 320 CALL	506	194	\$21.80	-3.96%	0.52	27.50%	45.13%	\$1,103,080	.AVGO190920C320
4/18/2019	AVGO 100 20 SEP 19 300 PUT	500	91	\$14.70	1.38%	-0.34	27.97%	40.92%	\$735,000	.AVGO190920P300
4/17/2019	AVGO 100 17 MAY 19 340 CALL	2,256	983	\$1.25	31.58%	0.14	19.21%	12.43%	\$282,000	.AVGO190517C340
4/16/2019	AVGO 100 17 MAY 19 310 PUT	627	286	\$3.90	-22.16%	-0.3	20.26%	32.70%	\$244,530	.AVGO190517P310
4/15/2019	AVGO 100 17 MAY 19 330 PUT	513	82	\$15.80	1.94%	-0.8	17.06%	81.54%	\$841,320	.AVGO190517P330
4/12/2019	AVGO 100 20 SEP 19 340 CALL	673	424	\$11.30	10.78%	0.35	26.24%	28.77%	\$794,140	.AVGO190920C340
4/11/2019	AVGO 100 17 MAY 19 310 CALL	1,110	2,103	\$7.41	-1.85%	0.46	22.80%	43.43%	\$854,700	.AVGO190517C310
4/9/2019	AVGO 100 21 JUN 19 300 CALL	1,019	2,785	\$16.20	-4.54%	0.55	27.75%	49.88%	\$1,660,970	.AVGO190621C300
4/9/2019	AVGO 100 17 MAY 19 290 PUT	1,051	1,355	\$4.10	20.59%	-0.26	23.23%	29.05%	\$430,910	.AVGO190517P290
4/2/2019	AVGO 100 15 JAN 21 330 CALL	300	77	\$34.70	-2.25%	0.46	30.14%	31.98%	\$1,041,000	.AVGO210115C330
3/29/2019	AVGO 100 18 APR 19 315 PUT	500	9	\$15.00	-22.28%	-0.83	20.16%	84.45%	\$750,000	.AVGO190418P315
3/27/2019	AVGO 100 19 JUL 19 290 PUT	1,269	1,088	\$15.70	2.61%	-0.42	26.72%	48.68%	\$1,992,330	.AVGO190719P290
3/26/2019	AVGO 100 19 JUL 19 300 PUT	440	71	\$18.00	-22.41%	-0.48	26.19%	54.88%	\$792,000	.AVGO190719P300
3/26/2019	AVGO 100 20 SEP 19 260 PUT	400	34	\$9.90	1.02%	-0.23	30.80%	30.43%	\$396,000	.AVGO190920P260
3/21/2019	AVGO 100 21 JUN 19 300 PUT	578	145	\$16.70	-3.13%	-0.51	26.31%	56.85%	\$965,260	.AVGO190621P300
3/18/2019	AVGO 100 21 JUN 19 320 CALL	1,972	2,382	\$5.10	36.00%	0.26	24.87%	22.27%	\$1,005,720	.AVGO190621C320
3/13/2019	AVGO 100 18 APR 19 260 CALL	2,918	2,243	\$16.95	12.62%	0.7	29.65%	66.20%	\$4,989,780	.AVGO190418C260
3/13/2019	AVGO 100 18 APR 19 260 PUT	3,082	1,660	\$6.40	-14.67%	-0.32	33.51%	36.01%	\$2,003,300	.AVGO190418P260
3/11/2019	AVGO 100 19 JUL 19 290 CALL	600	226	\$9.20	16.16%	0.33	27.48%	27.91%	\$552,000	.AVGO190719C290
3/11/2019	AVGO 100 19 JUL 19 240 PUT	600	181	\$8.90	-25.83%	-0.26	32.49%	32.64%	\$534,000	.AVGO190719P240
2/22/2019	AVGO 100 17 JAN 20 300 CALL	1,006	1,139	\$20.00	-10.43%	0.41	29.90%	31.35%	\$2,012,000	.AVGO200117C300
2/19/2019	AVGO 100 19 JUN 20 320 CALL	400	19	\$22.20	-3.48%	0.39	29.78%	27.63%	\$888,000	.AVGO200619C320
2/19/2019	AVGO 100 19 JUN 20 230 PUT	400	259	\$19.80	1.02%	-0.24	33.41%	38.71%	\$792,000	.AVGO200619P230
2/8/2019	AVGO 100 21 JUN 19 290 PUT	318	177	\$32.70	-6.84%	-1 --		100.00%	\$1,039,860	.AVGO190621P290

Potential Catalysts: Earnings 6/6/2019

Disclaimer:**Not Investment Advice or Recommendation**

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