



## FEATURED OPTIONS RADAR REPORT



### Call Buyers Position for Upside Break to New Highs in Large Cap Semi

Ticker/Price: AVGO (\$481.60)

#### Analysis:

**Broadcom (AVGO)** has pulled back off highs this week with the WSJ reporting it was looking at a \$15B-\$20B deal for software firm SAS, but now reports talks ended. It certainly shows AVGO plans on becoming more software-focused to lead to higher margins and a re-rate higher for a long undervalued large cap. AVGO on 7/9 with a large buy of 1500 October \$490 calls to open for \$3.25M and has also seen September \$500 calls add to OI this week, opening sales in September \$420 puts, and some bullish longer-dated activity. AVGO has a great weekly chart consolidating most of 2021 and recently broke out of the pullback trend with the rising 21-week moving average supportive below. The first Fibonacci extension out of this pattern targets \$525 while the pattern measures much higher to above \$600. AVGO develops and supplies a broad range of semiconductor and infrastructure software solutions. AVGO is involved with enterprise and data center networking, home connectivity, set-top boxes, broadband access, telecommunication equipment, smartphones and base stations, data center servers and storage systems, factory automation, power generation and alternative energy systems, and electronic displays. AVGO acquired Symantec's enterprise security business in 2019 and has been a serial acquirer. The \$195B company trades 16.2X Earnings, 7.6X Sales and 28.25X FCF with a 3% dividend yield and continues to deliver industry leading margins and FCF. Secular trends in 5G and cloud continue to driver solid results. Forecasts see revenues rising 14% in 2021 with EBITDA rising 19%. Analysts have an average target of \$540 and short interest is low at 1.1% of the float. Baird raised its target to \$550 in June with its high margin profile and strong business trends. KeyBanc upped its target to \$565 citing a robust demand environment, lead times stabilizing and bookings strengthening while wireless will benefit from iPhone 13 content gains.

#### Hawk Vision:



**Hawk's Perspective:** AVGO retested the recent high volume node and continues to set up well while also remaining a top value for growth name in the market, quality name that can re-rate higher.

**Confidence Ranking:** \$\$