



Unusual Large Call Buy in Avaya

Ticker/Price: AVYA (\$14.15)

Analysis:

Avaya (AVYA) with 8,000 March \$15 calls bought up to \$1.05 to open this morning and follows accumulation in the January \$12.50 calls recently with over 3,000 in OI. AVYA has over 10,000 February \$15 calls in OI as well from buyers. Shares are extended short-term but back above the 200-day this week and near a multi-week base breakout above \$14.50 that targets a run to \$19. AVYA has been in a downtrend since July 2018 but constructive bottom being put in with a bullish RSI divergence last Fall. The \$1.56B company trades 3.4X earnings and 0.54X sales with strong FCF and over \$6.75/share in cash on hand. AVYA sees 25% EPS growth and low-single digit revenue growth in 2021. In October, the company announced a partnership with RingCentral (RNG) where the latter would offer a branded UCaaS product for Avaya on their platform. AVYA has struggled to build out a cloud platform to migrate their massive legacy on-premises customers from Lucent/Nortel and the RNG deal gives them a big opportunity in both public, private, and hybrid cloud. AVYA expects to roll out their first products in the 1H 2020. Analysts have an average target for shares of \$18.50. Goldman upgrading to Buy on 1-21 noting that the economics of the RNG deal will drive revenue and profitability above consensus. Piper starting at Overweight on 12-10 seeing the shift to a UCaaS company in the very early innings and a potential multi-year catalyst to the upside. Short interest is 17.8% and elevated. Hedge fund ownership fell 5% in Q3 but Viex Capital a notable buyer. RNG also bought 7.8M shares as part of their agreement.

Hawk Vision:



Hawk's Perspective: AVYA looks like an attractive play out of a large weekly base, though RNG the more exciting name.

Confidence Ranking: \$\$