



FEATURED OPTIONS RADAR



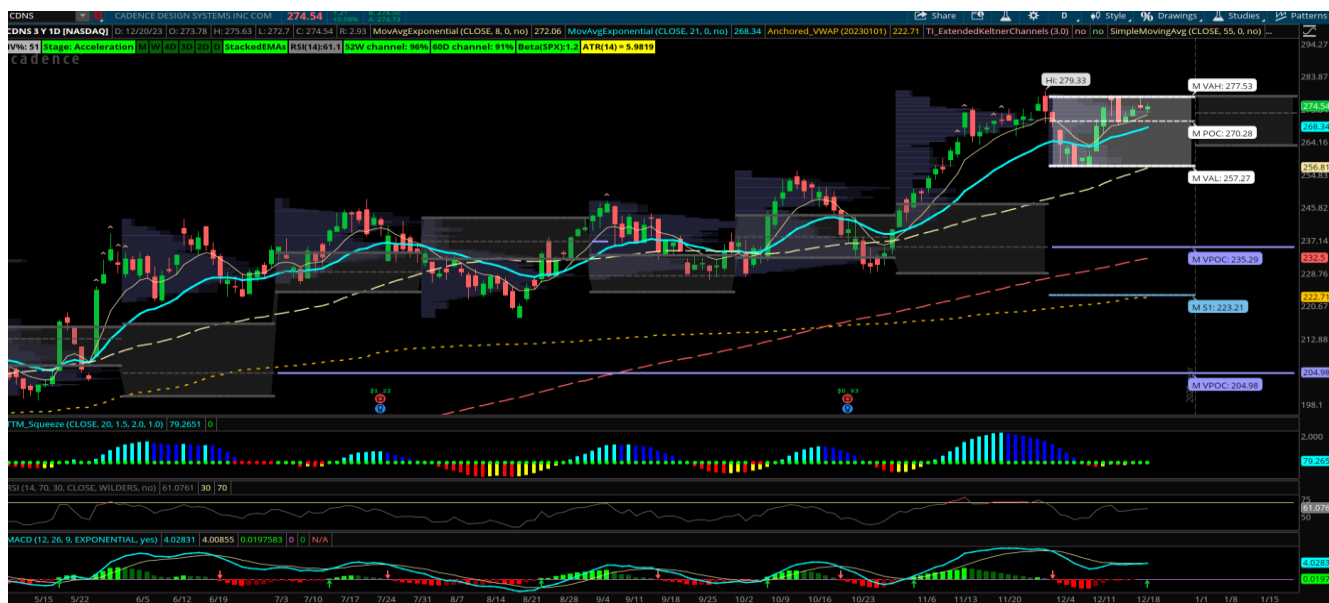
Confident Bull Risk Reversals in Semi Name Seeing AI Tailwinds

Ticker/Price: CDNS (\$274.60)

Analysis:

Cadence Design (CDNS) on 12/15 saw an interesting bull trade open 500 January 2025 \$350/\$270 bullish risk reversals for \$14.30 credit. Strong confidence in the current levels of 270 holding into next year and also being long upside calls for bigger breakout potential continuation. CDNS also last week saw 1175 January \$255 puts sell to open for \$1.90 and the Jan \$280 calls bought 900x at \$4.60. CDNS still has 300x Jan \$230 calls in open interest from buyers back on 2/2 at \$11 which have more than tripled and still holding. The \$74.7B technology company trades at 46.8x earnings, 16.3x sales, FCF yield of 2.1% with revenues expected to rise +15% in FY23 and growth estimated at +12% in FY25. Cadence Design Systems, Inc. is an electronic system designing company. The Company's Custom IC Design and Simulation offerings are used by its customers to create schematic and physical representations of circuits down to the transistor level for analog, mixed-signal, custom digital, memory and radio frequency (RF) designs. CDNS is coming off a strong quarter of top and bottom-line results in Q3, driven by growth across all their segments. The CEO stated on the earnings call that Generational trends including AI, HPC, and autonomous driving continue to fuel robust design activities, and 3D-IC designs are accelerating. They also see momentum of their JedAI platform based Generative AI applications that are delivering breakthrough results for customers. Shares have been rallying strong in a stair step pattern along its rising 55-day MA since getting above it this summer and now forming a high tight bull flag near the 277.50 top of monthly value area. A close above that can likely see a follow through to new highs into 290-300 as the name is at all time highs with no resistance. Support is strong on a dip to the 8-week EMA at 264 and then 250 being the top of 2023 value area. Average analyst price target is \$278. BAML raised its target to \$315 last week and keeps a Buy rating citing it expects continued secular growth tailwinds in Generative AI, chip complexity, auto content, fab reshoring, and CHIPS Act benefits. BAML also thinks we see intra-sector rotation in the Semiconductors going forward. Keybank has a \$290 target and Overweight rating recently saying it views Cadence as a must-own, core decade-long growth holding. After the CadenceLive Boston conference they came away with incremental conviction in opportunities from AI-enabled EDA, 3D-IC, and secular drivers of hardware verification. Short interest is at 0.9%. Hedge fund ownership fell 5%.

Hawk Vision:



Hawk's Perspective: CDNS is a clean chart that can be bought with stops under the 55 EMA for longer term potential based on these 2025 spreads opening. Using bull put spreads also likely is a higher odds play.

Confidence Ranking: \$\$\$