



FEATURED OPTIONS RADAR REPORT



Bull Sees Cadence Recovery Continuing in 2H

Ticker/Price: CDNS (\$136)

Analysis:

Cadence Design (CDNS) notable flows on 6/30 with buyers active for 3,000 January \$135 calls for more than \$8M while the \$120 calls also with buyers and the January \$100 puts sold to open. CDNS hasn't seen a lot of notable flows recently. Shares have rallied off the May lows back to a big volume shelf around \$135, potential to consolidate here before a run back to 2021 highs near \$145. CDNS is back at the 8-EMA today and support below is at the prior breakout near \$130. The \$38.15B company trades 41X earnings, 13.5X sales, and 47X FCF. CDNS is guiding to 8% growth in revenue in 2021 with 10% growth in EBITDA. CDNS recently raised guidance as the outlook becomes clearer around COVID and they expect robust design activity to continue into the 2H. They were at the Berenberg Software conference on 6/15 also noting that they expect R&D budgets to continue to grow which will be supportive of earnings into early 2022. CDNS has long-term tailwinds from growth of their Palladium Z1 and Protium X1 platforms within hyperscale and AI, design wins in automotive, and continued trends towards more intricate chip design driven by Machine Learning, Automotive, Datacenter, Mobile and Edge Computing. Analysts have an average target for shares of \$147.50 with a Street High \$165 from DA Davidson. The firm was out in April positive on design activity trends which remain robust. Rosenblatt starting at Buy on 6/24 calling CDNS the dominant provider of analog and custom-design engineering design automation, or EDA, tools, which are a critical piece of the semiconductor design ecosystem. The firm likes how they are building out an adjacency in simulation while a top three provider of licensed digital IP. Short interest is 1.1%. Hedge fund ownership fell 6% in Q1.

Hawk Vision:



Hawk's Perspective: CDNS is a top-tier name that should have a much better outlook into 2022 as the semiconductor supply chain normalizes and think in time this can trade back to new highs above \$145

Confidence Ranking: \$\$