



FEATURED OPTIONS RADAR REPORT



Ciena Put Seller Sees Value with Shares Back at the 200-Day

Ticker/Price: CIEN (\$51.75)

Analysis:

Ciena (CIEN) on 5/14 with a large opening sale of 2500 January \$45 puts for \$3.55, a name lacking much notable open interest, the January \$45 calls have 1450X in OI from a buyer, but no near-term positioning. CIEN shares have recently been finding some support at its 200-day moving average, a \$49/\$56 trading range through 2021. CIEN will next report on 6/3. The \$7.85B networking equipment company trades 16.65X Earnings, 2.27X Sales and 21.2X FCF. CIEN forecasts see just 1.7% revenue growth in 2021 and EBITDA down 8.5% but 2022 growth seen at 8.7% and 9.7% respectively. CIEN has seen strong results behind data center growth which is helping offset service provider demand that has lagged. CIEN provides hardware, software and services that enable the transport, routing, switching, aggregation, service delivery and management of video, data and voice traffic on communications networks. Its solutions are used by communications service providers, cable and multiservice operators, Web-scale providers, submarine network operators, governments, enterprises, research and education institutions and emerging network operators. CIEN has exposure to growth trends like 5G, Fiber and Edge Computing and increased adoption of these services and applications and their performance requirements will further increase network traffic and place additional service challenges on network infrastructures, requiring network operator investment in both core infrastructure networks and metro, access and aggregation networks. Analysts have an average target of \$60 and short interest is low at 2.6% of the float. BAML upgraded to Buy back in January focusing on the long-term opportunity with spending by Tier 1 North American Service Providers to bounce back in 2H21/FY22 after 15% YoY declines in 2020 and a weak expected 1H21. It sees robust global bandwidth demand, share gain opportunities in EMEA IP access networks, a significant internet build-out in India and aggressive Huawei displacement, BluePlanet growth, and 800G leadership as growth drivers. CIEN is seen as a key beneficiary of the April announcement by Verizon that it will spend an additional \$10B capex over the next three years to deploy C-Band as quickly as possible which will be in addition to the current capex guidance of \$17.5B-\$18.5B for 2021. CIEN also recently discussed its next-generation pluggable strategy, an interesting opportunity over the next several years. CIEN has not seen a lot of recent coverage, Citi upped its target to \$65 in February on higher comp valuations.

Hawk Vision:



Hawk's Perspective: CIEN valuation remains attractive and has positive capex spending tailwinds, a name where operating margins are always in focus. We have not seen call buying yet but a name I can see getting up to \$65.

Confidence Ranking: \$\$