



## FEATURED OPTIONS RADAR REPORT



### Large Call Buys in Beat Up Network Equipment Name with Supply Chain Woes

**Ticker/Price:** COMM (\$12.10)

**CommScope (COMM)** unusual bullish activity this week as 11,000 May \$12 calls were bought for more than \$2.3M on 10/20 and buyers remained active in that line on 10/21. COMM also has size in November and January calls underwater from buyers throughout August while earlier this year call buyers timed it well with a 4/30 spread that sold 10,000 November \$14 puts and bought 10,000 January \$22 calls in a risk reversal before shares made a strong run, and positions remain open with more than 44,000 of the January \$22 calls in OI. Interestingly, COMM shares have returned to retest the November 2020 breakout and sit on a major volume support zone basing above \$11.45 the past week. COMM is a global provider of infrastructure solutions for communication and entertainment networks. Its solutions for wired and wireless networks enable service providers including cable, telephone and digital broadcast satellite operators and media programmers to deliver media, voice, IP data services and Wi-Fi to their subscribers and allow enterprises to experience constant wireless and wired connectivity across complex and varied networking environments. COMM acquired ARRIS for \$7.7B in 2019 to drive profitable growth in new markets, shape the future of wired and wireless communications, and be in a position to benefit from key industry trends, including network convergence, fiber and mobility everywhere, 5G, Internet of Things (IoT) and rapidly changing network and technology architectures. COMM currently has a market cap of \$2.45B and trades 10.5X EBITDA and 12X FCF with significant debt. Forecasts see low revenue growth with double-digit EBITDA growth for 2022 and 2023. COMM is struggling with supply chain constraints which is weighing on profits despite posting strong Broadband and Venue/Campus growth last quarter and next reports 11-4. COMM has plans to spin-off its Home Network business in Q2 2022. Analysts have an average target of \$19 and short interest is low at 3.5% of the float. Deutsche Bank lowered its target to \$18 this week and CSFB cut to Neutral on 10/5 with a \$12 target citing although COMM is likely seeing solid demand it faces tough equipment supply constraints.

#### Hawk Vision:



**Hawk's Perspective:** COMM is tough due to the supply/demand dynamics and its balance sheet and credit concerns make it highly risky, not a favorite name, but also there is plenty of value to unlock here and could see some kind of event-driven news move.

**Confidence Ranking:** \$