



## FEATURED OPTIONS RADAR REPORT



### Dell Bulls Active on Re-Rating, Upside Catalysts

Ticker/Price: DELL (\$100.80)

#### Analysis:

**Dell Technologies (DELL)** this week with 3500 October \$105/\$120 call spreads bought to open as some July positions adjusted though more than 10,000 July \$105 long calls remain in open interest as well as 1500 October \$95 calls bought and 4000 December \$90 calls from buyers back in March. DELL has been a top performer in Tech in 2021 as a value name with shares +40% YTD and currently working out of another bull flag, one that measures to a target of \$115 to \$120 which aligns with the October call spread target. DELL has positioned itself as a leader in the digital transformation trend with a portfolio of traditional infrastructure and multi-cloud technologies. DELL has been actively reshuffling its businesses with news in April it will spin out its 81% interest in **VMware (VMW)** which will close in Q4 and in May announced the sale of its Boomi cloud integration platform for \$4B in cash. DELL currently has a market cap of \$79B and trades 8.5X EBITDA, 12X Earnings and 10.65X FCF with revenues seen rising 7% in FY22 and EBITDA up 5%. DELL expects IT spending to remain strong with 5G creating fresh cycles, an estimated \$700 billion in cumulative spend on edge IT infrastructure and data centers within the next decade. DELL is coming off a strong quarter of cash flow generation and expects to pay down debt while debt will be upgraded to investment grade after the VMW spin-off. DELL is expected to remain active in capital returns and M&A opportunities with its cash. Analysts have an average target of \$115 with short interest at 4% of the float. MSCO raised its target to \$130 noting Street estimates are too low with accelerating storage and server growth while the VMW spin and debt paydown are positive catalysts. DELL is Elliott's top holding while Lyrical and Canyon Point have concentrated positions and Third Point took a new position in Q1.

#### Hawk Vision:



**Hawk's Perspective:** DELL has been a great story all year and option flows have been spot-on, fully expect this story to keep playing out higher to \$120.

**Confidence Ranking:** \$\$