



# OptionsHawk



## Digital Realty Bulls Position for Rebound

Ticker/Price: DLR \$121

### Analysis:

**Digital Realty (DLR)** with 1,200 February \$120 calls being bought today from \$4.00 early up to \$4.50 this afternoon. DLR has 3,850 April \$120 calls in OI from buyers as well as 1,800 of the April \$125 calls while the \$115 and \$105 puts have been sold going back to September. Shares have pulled back from 52-week highs near \$136 and now forming an inverted head-and-shoulders around 6-month VPOC at \$118. Shares held trend support from the 2018 lows and a move above the 200-MA and out of this range at \$121 can spark a move into a low-volume gap. The \$24.4B REIT screened well into the year around 18X FFO with a 3.65% yield. DLR expects to grow sales by mid-to-high single digits in FY20 and 10% in FY21 with tailwinds from cloud growth, IoT, and big data across a number of industries including finance. DLR announced a deal to merge with InterXion (INXN) that creates a global data center business with the second-largest footprint in Europe. INXN has some valuable assets in Frankfurt and Paris including a significant submarine asset base between Europe and Asia. October that Analysts have an average target for shares of \$131.50 with 8 buy ratings and 4 hold ratings. BMO with a \$132 PT as the INXN deal gives them broader assets across co-location as well as an much bigger TAM with exposure to hyperscale customers in EMEA. Short interest is 10.4%. Zimmer Partners a notable stock holder.

### Hawk Vision:



**Hawk's Perspective:** DLR looks great on the chart with a nice risk/reward vs the recent lows for a move back near the highs. There's some discontent about the INXN deal and they may need to bump the price but overall strong deal.

Confidence Ranking: \$\$