



FireEye Speculative Upside Calls Accumulate Size

Ticker/Price: FEYE (\$15.75)

Analysis:

Fire-Eye (FEYE) early buyers of 18,000 March \$17 calls up to \$0.55 and then 2,900 March \$16 calls bought \$0.70 to \$1 and looking to add to recent flows. FEYE has had 18,000 February \$16 calls bought this week and another 5,000 looking to add today while the February 28th (W) \$16 calls bought 5000X on 2-12 and still some bullish OI in the June \$15 and \$17 calls and the January \$20 calls. Shares traded strong in late 2019 up to \$18 and pulling back to the 200-MA at \$15.25 and the 50% retracement, nice risk/reward spot to trade against. A move above \$16.05 and the 20-MA sets up a move back to \$17.5 and prior VPOC. The \$3.55B company trades 3.77X EV/sales and 3.56X cash with estimates for 51.28% and then 54.47% EPS growth in the next two years. They see accelerating revenue growth for the first time in years going out to 2022 and moving above \$1B in annual revenue in FY21 as they transition plan continues to gain traction. The company reported a strong shift in their overall mix last quarter with Platform/Cloud/Managed Services businesses now 59% of billings and up from 23% last year. They continue to see upside in the near-term from adoption and shift from their legacy on-premise customers. FEYE was at the Goldman Tech conference this week and commenting on the big opportunity with geopolitical cybersecurity. The company noted that they have an expansive reach with 22 nation-states under watch and near 2,000 clusters of activity. FEYE sees these emerging risks as a big driver for higher enterprise spend from CSOs and CIOs in the coming years. Analysts have an average target for shares of \$19 with 8 buy rating and 8 hold. BAML downgrading to Neutral in January seeing some risk to management's assumption that the growth segment billings grow at a 30% CAGR through 2024. Sun Trust upgrading to Buy on 1-7 seeing potential opportunity from global cyber disruptions. They note that recent events in Iran and Iraq have put the spotlight on cybersecurity and will lead to increased government and private sector spending in both fiscal 2020 and 2021. They also continue to see FEYE as a prime acquisition candidate. Short interest is 7% and declining since September when it was 9.7% and steadily lower since 2017 when it was around 19.5%. Hedge fund ownership fell 17.25% in Q3 but Clearbridge a big buyer of 10M shares.

Hawk Vision:



Hawk's Perspective: FEYE has always been subject of speculation, and out of this pullback trend upside cheap calls are looking attractive with recent lows a nearby level to trade against.

Confidence Ranking: \$\$