



FEATURED OPTIONS RADAR REPORT



Bullish Bets Accumulate in FireEye on Increased Cyber Spending, Improved Outlook

Ticker/Price: FEYE (\$20.20)

Analysis:

Fire-Eye (FEYE) on 3/9 with unusual deep ITM June \$15 calls trading 4700X for over \$2.5M and follows a buyer of 10,000 June \$20 calls for \$2.3M on 3/8. FEYE also has over 17,500 January \$40 calls in open interest accumulated from buyers in late January and has seen opening sales of September \$20 puts, January \$17 puts, and June \$18 puts for notable size. FEYE shares have pulled back 20-25% to retest a large volume zone shares broke free of to start 2021 and holding up well with the Tech sell off at lower YTD value and starting to work out its base this week. The \$4.5B cybersecurity provider trades just 4.9X FY21 EV/Sales with revenues seen rising 6.6% in 2021 and 7.6% in 2022, a path to acceleration. FEYE finished 2020 with double-digit operating margins, a big jump up from prior years, as they execute well on cost initiatives they laid out in 2019. FEYE has traded well recently after the Solar Winds hack and new White House which has made spending on preventing cyber breaches a top priority. The company sees opportunity to expand their Mandiant Advantage product, a larger suite of high-end intelligence offerings, while also expanding further into cloud products for endpoint, email and others. The latest proposal from Biden was increasing cyber spending by \$10B which will be a boost to FEYE. Analysts have an average target of \$22.50 and short interest at 8.6% of the float is down 26% Q/Q. BAML upgraded to Buy on 2-4 with a \$27 target, noting FireEye continues to improve, executing well on its transformation plan. At a high level, new initiatives are growing faster than the declines in legacy, with the Platform, Cloud Subscription and Managed Services segment up 20% YoY in 4Q and Professional Services up 15.4% YoY, together comprising 58% of 4Q revenues and 66% of billings. . At a high level, the company generates strong cash flow in the legacy segment, reinvesting it in new areas and driving growth acceleration across the board. After years of sub-par performance, FireEye is finally turning the corner with services and related products driving better growth. Drivers for 2021 include the recently launched Mandiant Advantage platform, continued strength in Professional Services on the heels of SolarWinds attack, continued growth in Cloud Endpoint and growth in Managed Defense. Management expects 20-25% growth in the Platform, Cloud Subscription and Managed Services segment and 15-20% growth in the Professional Services segment. Hedge Fund ownership jumped 8% last quarter in filings.

Hawk Vision:



Hawk's Perspective: FEYE does look like an attractive value name in Tech with an improving growth and margin profile, one that can outperform in this environment.

Confidence Ranking: \$\$