



FEATURED OPTIONS RADAR REPORT



Put Seller Calls Bottom in Cyber Security Leader

Ticker/Price: FTNT (\$48.4)

Analysis:

Fortinet (FTNT) interesting trade on 1/12 as 1900 June \$50 puts were sold to open ITM at \$5.90 and a name that has seen sellers of March \$55 and \$50 puts previously. FTNT shares are down 25% the past year and in a tight falling wedge pattern on the weekly with key support at \$47.75 holding while weekly RSI shows signs of diverging bullish. Fortinet is a global leader in cybersecurity and networking solutions for organizations, including enterprises, communication service providers, security service providers, government organizations and small businesses. The heightened threat environment, the convergence of security and networking and the consolidation of security functionality and vendors together with the opportunity to upsell additional security services to a significant installed base are expected to drive future growth. FTNT estimates the total addressable market for networking and security will increase from \$54 billion today to \$73 billion in 2026. Fortinet continues to gain Secure SD-WAN market share as our integrated Secure SD-WAN solution delivers better security, performance and efficiency over more traditional offerings. Cybersecurity remains a top priority in 2023 and by far the least likely area of IT spend to be cut relative to other categories. FTNT has a market cap of \$36.85B and trades 34.75X Earnings, 7X EV/Sales and 24X FY23 EBITDA with revenues seen rising ~20% each of the next two years with 20%+ EPS growth. Analysts have an average target of \$65 and short interest has risen 38% Q/Q to 7% of the float. FTNT will next report on 2/7. MSCO sees FTNT as an outperformer in 2023 that should sustain >20% EPS/FCF growth based on: 1) durable market share gains and ability to drive cost savings through consolidation of security and networking budgets, 2) ability to protect and expand margins based on a higher mix of more profitable, recurring services revenue as well as slowing headcount growth, 3) significant share buyback and much lower stock based comp vs large cap software peers makes FTNT look favorable on every valuation metric.

Hawk Vision:



Hawk's Perspective: FTNT has a clear trade-against level of its recent low and key support so the upside/downside does look compelling with the history of solid signals from put sales.

Confidence Ranking: \$\$