



FEATURED OPTIONS RADAR REPORT



Bull Risk Reversal in Consumer Security Company

Ticker/Price: GEN (\$16.84)

Analysis:

Gen Digital (GEN) with an interesting trade of 5/17 as 3000 January \$17/\$14 bull risk reversals opened at an \$0.85 debit, trader willing to be long stock at \$14 but expects shares to be above \$17.85. GEN saw 2500 October \$17 calls sell to open for \$1.05 on 5/15 that remain in open interest. GEN shares are down 21% YTD and 31.6% over the past year but showing some weekly bullish MACD and RSI divergences into the recent low. GEN is in an ugly trend and any strength likely finds resistance near the 21-week at \$18.30. GEN is the new company formed from the merger of NortonLifeLock and Avast. Norton, Avast, LifeLock, Avira, AVG, ReputationDefender and CCleaner are its key brands as a top player in consumer cyber security. GEN has a market cap of \$10.7B and trades 7X Earnings, 8.5X EBITDA and 22.5X FCF with a 3% dividend yield. GEN revenues are seen rising 15.6% in FY24 with 10.6% EPS growth but the balance sheet is the concern with Debt/EBITDA near 3X with 64% floating. GEN is a strong FCF generator with 42.5% FCF margins in 2023. Last quarter, GEN continued to show execution against top and bottom line synergy targets, which supported upticks in retention/ARPU metrics. Balancing debt paydowns with share repurchases is a key investor question. Analysts have an average target of \$24 with short interest low at 2.7% of the float. Evercore started shares Outperform with a \$27 target saying it is a best of breed privacy, identity monitoring, and device security tools that ensures a consumer's digital footprint is protected from all kinds of digital adversaries. Evercore expects every employer over time will offer cybersecurity benefits, which opens the door for vendors like Gen Digital to be the vendor of choice given they have the full end-to-end platform. Barclays reduced its target to \$22 after the quarter seeing real value over time with \$3 EPS potential. Starboard has a \$325M stake in GEN as its 8th largest holding, so a potential catalyst later this year if they get vocal.

Hawk Vision:



Hawk's Perspective: GEN is a name for patient value players only as there are way better ways to play cyber security like PANW. The January strategy is interesting and has the potential to pay off big if this bottom holds.

Confidence Ranking: \$\$