



Unusual Large Call Buys in Inphi

Ticker/Price: IPHI (\$82.75)

Analysis:

Inphi (IPHI) IV rising this morning into strength with 1150 April \$80 calls bought up to \$9.30 and volumes up over 2,750 now in the afternoon. IPHI has little other notable open interest and today's volume is 9X average and pushing IV30 up 7.5%. Shares have been working nicely out of a multi-month consolidation lately and a bit extended here near-term but a longer-term target up to \$90 and ultimately \$100. The \$3.7B company trades 10X EV/sales with limited debt and strong FCF. They expect 25%-30% EPS growth and sales growth of 15% to 20% through FY22 driven by data center growth and demand for their bandwidth bottleneck solutions like switches and routers across 100G and 400G. IPHI is in the sweet-spot of a number of big and growing tech themes like cloud, IoT, 5G, AI, and more. They're a leader in multiple data center applications and they've executed some tuck-in deals recently like e-Silicon which given a broader product content scale both inside and off-premise. Analysts have an average target for shares of \$90 with BAML taking their PO up to a Street High \$100 on Friday. They see IPHI as a top SMID-cap pick in the space with exposure to recovering cloud capex and 5G investments. Needham positive in October noting they expect a strong ramp in Porrima shipments in Q4 for the production of 400G modules to be delivered to its tier-one hyperscale customer. Short interest is 9.4% but declining steadily since 2018 when it peaked around 25.5%. Hedge fund ownership jump 31% in Q3. Maverick Capital a notable buyer of a new position.

Hawk Vision:



Hawk's Perspective: IPHI has made a big move from its last base and need to see shares reset a bit in order to get a quality entry, a solid name but just think there is time between now and April to monitor these calls and look for a better entry back near \$77.

Confidence Ranking: \$\$