



FEATURED OPTIONS RADAR REPORT



Large Bull Trades Sees Top Semi Equipment Name with Further Momentum

Ticker/Price: KLAC (\$382)

Analysis:

KLA Corp (KLAC) large bull trade on 11/22 opened 1700 January \$400/\$330 bull risk reversals at \$7+ debits which follows a trade 11/18 that sold 1100 December \$360/\$300 bull put spreads to open but otherwise a name that sees minimal activity. KLAC on the long-term chart has RSI on the weekly at 57 while MACD in bull mode for three weeks as shares held firm at the rising 200-week EMA in October and have rallied. KLAC currently is forming a tight bull flag on the daily that can set up for a move to \$455 as a Fibonacci extension. KLAC is a supplier of industry-leading equipment and services that enables innovation throughout the electronics industry via advanced process control and process-enabling solutions for manufacturing wafers, reticles, chemicals/materials, integrated circuits, packaged ICs, printed circuit boards and flat panel displays as well as comprehensive support and services. KLAC business depends upon the capital expenditures of semiconductor, semiconductor-related and electronic device manufacturers. The semiconductor capital equipment industry is currently experiencing multiple growth drivers bolstered by demand for semiconductors from leading edge foundry and logic manufacturers to support computational power and connectivity for markets such as artificial intelligence and 5G wireless technology. KLAC has a market cap of \$52B and trades 19.9X Earnings, 21X FCF and 5.35X Sales with revenues seen rising 11% this year with 16% EPS growth. KLAC is coming off yet another beat and raise quarter and noted China restrictions are not a major impact to its business there. Cautious commentary on WFE is a headwind but backlog remains very strong. Expect KLAC to gain share of spend, as spending shifts away from adding wafers and more towards process node transitions, which is the trend everywhere. Analysts have an average target of \$360 with short interest at 2% of the float. Berenberg cut its target to \$390 but remains positive saying chip design innovation is likely to continue over the next decade, involving various types of new transistor designs and materials.

Hawk Vision:



Hawk's Perspective: KLAC has long been my preferred name in this group and continues to execute well and this trend points to further upside as long as market indicators remain in bull mode.

Confidence Ranking: \$\$