



FEATURED OPTIONS RADAR REPORT



Semi Equipment Name Sees Large ITM Call Buyer into Strength

Ticker/Price: KLAC (\$471.50)

Analysis:

KLA Corp (KLAC) on 6/7 saw a buyer of 800 July \$440 deep ITM calls at \$37 to \$39 and over \$3M bought on the day. KLAC does not see a lot of large dollar trades so this stands out and still has some June positions holding \$390 calls from buys on 4/18. Also, 100 June 2024 \$380 short puts and the January \$350 calls bought 500x on 12/19 for \$89.10 still holding in OI. The \$64.2B company trades at 22.2x earnings, 7.2x sales, FCF yield of 4.1%, with a 1.2% dividend yield while revenue expected to grow +13% in FY23 and growth estimated at -12% in FY24. KLA Corporation is a supplier of process control and yield management solutions and services for the semiconductor and related electronics industries. KLAC is coming off a solid quarter beating estimates and guiding inline saying they see positive outsets emerging as automotive demand and other markets served by legacy nodes remain strong. On the call they stated that looking ahead, we remain confident of the secular trends driving long-term semiconductor industry demand and investments in WFE are intact. Also, automotive semiconductor demand is growing in applications where 0-defect mentality is required to achieve superior standards of quality and reliability. Shares have been trending strong since the breakout above 400 in May as Semi stocks lead the markets higher in Q2 and KLAC now hitting all time highs this past week near 470 while these July call buys look for continuation higher. Strong support sits at top of monthly value area at 427 while the next logical upside level would be 500 but in blue sky territory with no actual resistance. Average analyst target is \$440. Stifel has a \$445 target and Buy rating believing the deeper suppression of supply as an opportunity to lay a more decisive groundwork for a sustained spending recovery in calendar year 2024. Wells has a \$455 target and Overweight rating while Needham keeps a Buy rating and \$460 target as it has more exposure to foundry/logic, is less impacted from China regulations, and has partial ties to the EUV dynamics. Short interest is at 1.4%. Hedge fund ownership rose 11%. KLAC is at the Nasdaq Investor Conference on 6/13.

Hawk Vision:



Hawk's Perspective: KLAC is trending nicely but would prefer to buy the next dip to the 8 EMA with stops under the 21 EMA, a name that can easily see 500 this summer before any meaningful correction.

Confidence Ranking: \$\$