

SPOTLIGHT OPTION TRADE



Calls in a Chip Leader Before the Cycle Turns Back Higher

TRADE SNAPSHOT

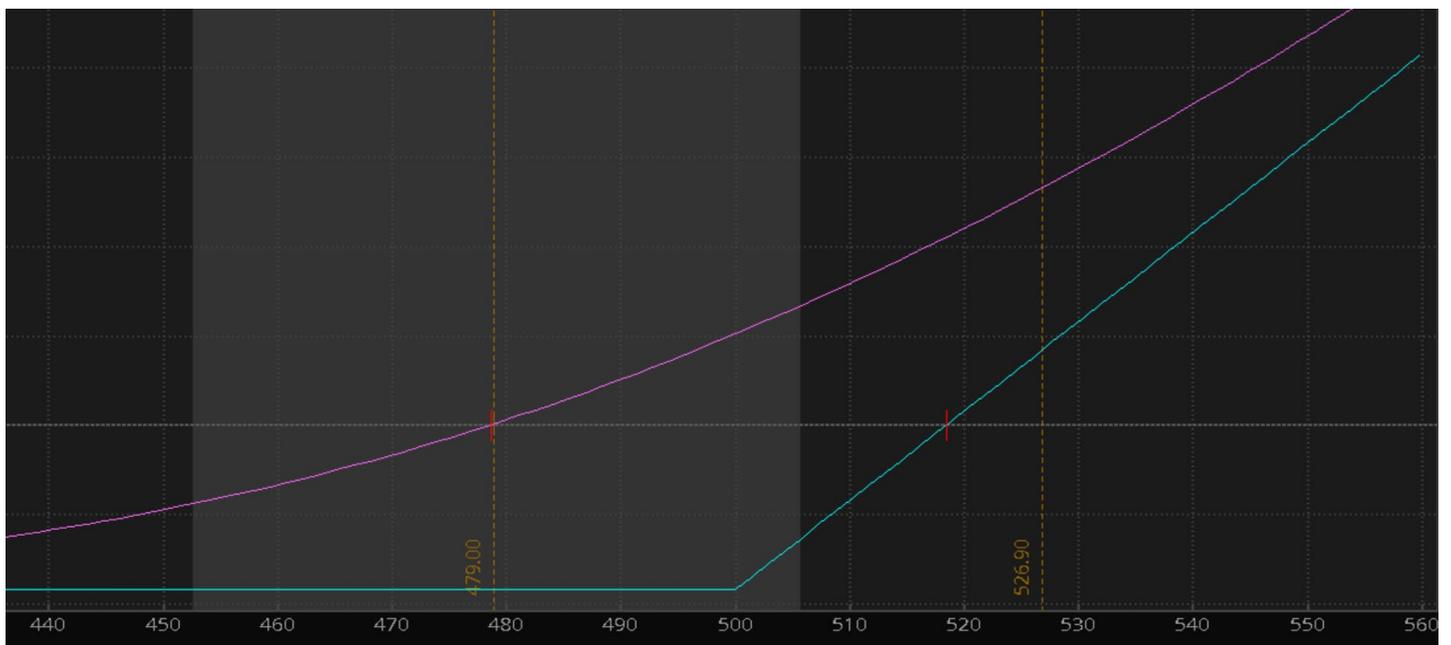
| | |
|---------------|-----------------------|
| TICKER | LRCX |
| SECURITY | Lam Research (LRCX) |
| SECTOR | Tech – Semi Equipment |
| CURRENT PRICE | \$478.60 |
| LONG/SHORT | Long |
| TARGET | \$560 |
| STOP | \$415 |
| TIMEFRAME | 2 Months |

Trading Strategy: Long the LRCX March \$500 Calls at \$18 or Better

Net Debit/Credit: Debit of \$18

Profitability Zone: LRCX Above \$518 on March OpEx

Options Volatility / Trade Simulator View:





Technical Analysis: LRCX shares have recovered off a major VPOC and sit under a key \$500 breakout level with a volume pocket back to \$550 while also now above VWAP from the 2022 highs. Shares have a large inverse head and shoulders pattern in place that measures back to \$700.



Fundamental Analysis: Lam Research Corporation is a global supplier of innovative wafer fabrication equipment and services to the semiconductor industry. Its products and services are designed to help our customers build smaller and better performing devices that are used in a variety of electronic products, including mobile phones, personal computers, servers, wearables, automotive vehicles, and data storage devices. Its customer base includes leading semiconductor memory, foundry, and integrated device manufacturers. LRCX has a market cap of \$66B and trades 17.75X Earnings, 11.6X EBITDA and 38.4X FCF with a choppy outlook seen through FY24. Lam will likely be one of the early bottoms in Semiconductors as memory should trough next quarter while Lam is well positioned for demand at the leading edge related to more complex, 3D architectures. The services business will be key to sustaining earnings power during a memory drought. LRCX is generating substantial FCF in a time when memory manufacturers are burning cash. Analysts have an average target of \$495 with short interest low at 1.8% of the float. MSCO raised its target to \$550 from \$404 citing near-term headwinds but strong earnings power ahead. Mizuho raised its target to \$525 saying Lam could see the trough in the March quarter, with a better foundry/logic rebound into the second half of 2023. Deutsche Bank upgraded to Buy on 12/12 with a \$520 target saying investor expectations are already low enough and memory wafer fab equipment is poised to rebound in 2024, as 2023 memory spend is at unsustainably low levels.

Options Activity:

| Date | Ticker | Contract | Volume | Price | OI | Delta | IV | Premium | Last | Current OI ▼ | ▲ Price % | ▲ OI % |
|------------|--------|-----------------------------|--------|---------|-----|-------|--------|--------------|---------|--------------|-----------|-----------|
| 01-24-2023 | LRCX | LRCX 100 17 MAR 23 655 CALL | 2,330 | \$0.54 | 6 | 0.02 | 36.97% | \$135,140 | \$0.33 | 4,251 | ▲ 38.89% | ▲ 81.98% |
| 10-04-2021 | LRCX | LRCX 100 19 JAN 24 380 PUT | 2,692 | \$48.4 | 0 | -0.18 | 38.82% | \$13,029,280 | \$28.75 | 3,067 | ▼ 40.6% | ▲ 13.93% |
| 10-04-2021 | LRCX | LRCX 100 19 JAN 24 460 PUT | 2,692 | \$78.35 | 0 | -0.28 | 36.67% | \$21,091,820 | \$54.2 | 3,022 | ▲ 30.82% | ▲ 12.26% |
| 11-10-2022 | LRCX | LRCX 100 16 JUN 23 780 CALL | 1,084 | \$7.55 | 13 | 0.11 | 42.94% | \$888,880 | \$0.78 | 947 | ▲ 89.67% | ▼ 13.67% |
| 11-18-2022 | LRCX | LRCX 100 16 JUN 23 395 PUT | 218 | \$37.6 | 6 | -0.27 | 50.15% | \$791,340 | \$15.14 | 826 | ▼ 59.73% | ▲ 268.75% |
| 11-14-2022 | LRCX | LRCX 100 16 JUN 23 450 PUT | 250 | \$48 | 111 | -0.32 | 48.13% | \$1,178,750 | \$30.55 | 659 | ▼ 36.35% | ▲ 82.55% |
| 08-22-2022 | LRCX | LRCX 100 19 JAN 24 560 CALL | 500 | \$60.6 | 93 | 0.45 | 43.1% | \$3,137,500 | \$54.85 | 615 | ▼ 9.49% | ▲ 3.71% |

Potential Catalysts: No Events Scheduled

Disclaimer:

Not Investment Advice or Recommendation

Any descriptions "to buy", "to sell", "long", "short" or any other trade related terminology should not be seen as a recommendation. The Author may or may not take positions in any of the names mentioned, and is not obligated to disclose positions, nor position sizes.

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