



Large Call Buyer Positions for Upside in Semi-Equipment Leader

Ticker/Price: LRCX (\$609)

Analysis:

Lam Research (LRCX) large buyer on 9/17 of 1000 January \$600 calls for \$5.5M and follows recent bull put spreads in the November \$540/\$535 strikes. The October \$580 calls, November \$580 calls, and December \$600 calls also with buyers in late August/early September. Shares are consolidating just below monthly value at \$618.50 with a breakout targeting recent highs at \$675. The broader weekly flag breakout has explosive potential with a measured move to \$800. The \$87.45B company trades 17.15X earnings, 6X sales, and 34.8X FCF with a small yield. LRCX is coming off a strong quarter as the WFE market has continued to improve and management seeing demand more second-half weighted as well giving a boost into year end. In August they raised their outlook for wafer fab spending to \$80B driven by DRAM while Foundry and logic expected to pick up as well. LRCX was at the Deutsche Bank conference on 9/9 and addressing some concerns over peak WFE noting that capital intensity is growing, DRAM spending has been disciplined, and as processes gain in complexity they should continue to see strength. Analysts have an average target for shares of \$705 with a Street High \$815. Susquehanna cut to Neutral on 9/14 who sees good news priced in and with quarterly wafer fab equipment peaking in the second half of 2021, there is enough of a deceleration in spend growth rate into 2022 that cannot be offset by services and/or share gains. Stifel with a \$780 PT citing WFE trends and noting the company is well positioned to outperform the industry. A pickup in NAND flash spending in the second half is being supplemented by both DRAM and foundry/logic. Short interest is 1.67%. Fund ownership fell 2%. Coatue a new buyer of \$377M in stock.

Hawk Vision:



Hawk's Perspective: LRCX sets up well above the 200-MA while the weekly look is explosive, a high-quality name that has held up well despite concerns over the memory market and on watch for a move above \$620

Confidence Ranking: \$\$\$