



## Norton LifeLock Speculative Upside Calls Active

Ticker/Price: NLOK (\$20.75)

### Analysis:

**Norton Life-Lock (NLOK)** shares since the separation and especially the last few weeks while options activity has been firmly bullish. NLOK seeing speculative action today with 2550 April \$22 and 5000 April \$25 calls being bought OTM at cheap prices and NLOK also exhibiting inverted IV Skew. NLOK also has 2000 March \$19 calls, 5000 April \$21 calls, and 2850 December \$20/\$25 call spreads as well as 4000 January \$20 calls in OI. The company announced a \$12/share special dividend back on 1/10 and the WSJ reported back in December that Intel's McAfee was weighing a combination. The \$12.5B security software company trades 18.1X Earnings, 1.5X EV/Sales and 11.7X FCF with a 2.5% dividend yield. NLOK on 2/6 posted a strong beat on EPS and Revenues with 4% Y/Y billings growth and sold ID Analytics for \$375M to **RELX**. NLOK accelerated its transition to become the pure-play leader in consumer cyber safety and will generate \$11.5B in sales proceeds from enterprise assets. Last quarter was its first quarter of customer adds in a long time, a solid start to the transition while ARPU rose 2.7% Y/Y. Analysts have an average target near \$20 with short interest 4.6% of the float. Mizuho raised its target to \$21 after the quarter with strengthening billings and operating margins while also lowering cost estimates and raising asset realization estimates. UBS raised its target to \$23 yesterday. Hedge Fund ownership jumped 12% in Q3 filings, Starboard has a \$1.1B stake as its top position.

### Hawk Vision:



**Hawk's Perspective:** NLOK upside call spreads are an attractive play into the inverted skew, April \$21/\$25 at \$1.05 looks nice on reward/risk.

**Confidence Ranking:** \$\$