



VMware Calls Bought Aggressively in Opening Bell Action

Ticker/Price: VMW (\$169)

Analysis:

VMware (VMW) on the open trades 745 March \$165 calls in wide swings \$7.20 to \$8.40 and up to 1000X in the opening 20 minutes trading \$8.40-\$8.70 bid-ask. VMW also has 1,265 April \$148.19 calls bought in OI. VMW shares are off to a strong start in 2019 and nearing record highs in a very steep trend higher on good accumulation volume. The \$67.85B cloud infrastructure Co. trades 25.1X Earnings, 6.7X EV/Sales and 21.1X FCF with a strong balance sheet flush with cash. VMW will next report in late February. It spoke at the Barclays Conference in December highlighting the strong growth it sees in cloud, mobility, AI and IoT. Analysts have an average target of \$167 on shares and short interest at 6.9% of the float has been rapidly declining. Evercore ISI started shares In-Line last week with a \$160 target with concerns of lumpy growth in NSX and vSAN while it takes time to monetize the AWS partnership. MSCO cut to Equal Weight on 1-15 on valuation with risks to its on-premise infrastructure exposure and mix of perpetual license revenues. BMO has a \$170 target after the special dividend news earlier this year with greater confidence to serve the glue that binds private and public clouds in a hybrid world. Citi sees growth ahead at historic levels as its cloud relevance increases. Hedge Fund ownership fell 23.4% in Q3 filings, Dodge & Cox and Icahn top sellers. JET Capital disclosed a call option position and Dell (DELL) continues to own a large stake of VMW with a lot of talk in the past of an eventual full acquisition.

Hawk Vision:



Trading Strategy: VMW has been on a big run and would need to see some consolidation before positioning, likely one to target closer to earnings with a strategy I will look at that time.

Confidence Ranking: \$\$