



FEATURED OPTIONS RADAR REPORT



Bulls Position in Risk Reversals for Cyber-Security Buyout Target

Ticker/Price: RDWR (\$34.75)

Radware (RDWR) last week with December call positions adjusting and ended up opening 4750 June \$32 calls with 4100 of the \$26 puts sold to open. RDWR has put in a strong two-week bounce after testing a 38.2% retracement off the March 2020 lows and just above VWAP off those March 2020 lows, retesting a breakout spot from earlier in 2021. RDWR is a provider of cyber security and application delivery solutions for physical, cloud, and software defined data centers with solutions that secure the digital experience by providing infrastructure, application, and corporate IT protection and availability services to enterprises globally. RDWR has a market cap of \$1.48B and trades 34.5X Earnings, 4.4X EV/Sales and 27X FCF with revenues seen rising 8-10% annually the next three years. RDWR has a products segment and services, the latter the focus with cloud and subscription ARR showing 26% Y/Y growth last quarter. The company noted “The momentum in our cloud business is being supported by impressive growth in cloud application security, improved retention rates and a steady increase in the number of customers each quarter.” RDWR is expecting to ramp hiring in the US for salespeople in 2022 and is also searching for a CFO and sees an immense opportunity in cloud security where it is only scratching the surface. Analysts have an average target of \$41.5 with short interest low at 2.6% of the float. OpCo downgraded to Neutral on 11/15 on competition concerns with disruption coming from the edge cloud but did note RDWR is a likely acquisition target. CNBC reports back on 9/13 that RDWR was in talks to sell itself to a PE buyer. Needham raised shares to Buy with a \$40 target in July noting robust deployments and partnership wins and positive on the increasing growth in the subscription business.

Hawk Vision:



Hawk's Perspective: RDWR has always been on our likely M&A list and seems this positioning reflects that though there may not be a ton of premium left in a deal I can see \$40/share.

Confidence Ranking: \$\$