



## FEATURED OPTIONS RADAR REPORT



### Unusual Upside Call Accumulation in Seagate Tech as Re-Rate Story Plays Out

**Ticker/Price:** STX (\$87.25)

#### Analysis:

**Seagate Tech (STX)** options flow notably bullish since late April, unusual accumulation of 15,000 far OTM January \$140 calls, buyers in September \$90 calls, the September \$115 calls 2700X on 5/11, July \$110 calls with 20,000 accumulating, the May \$94 calls with 10,000 bought on 5/7, and other scattered action. STX has shown relative strength in Tech as more of a value name and put in a nice reversal on the rising 21-day moving average on 5/11. Seagate is a leading provider of data storage technology and solutions. Its principal products are hard disk drives, both HDD and SSD. The rapid growth of data generation and the intelligent application of data are driving demand for data storage. As more data is created at endpoints outside traditional data centers, requiring processing at the edge and in the core or cloud, the need for data storage and management has also increased. These use cases include autonomous vehicles, smart manufacturing systems and smart cities. The *Data Age 2025* study found that data is shifting to both the core and the edge, and by 2025 nearly 80% of the world's data will be stored in the core and edge, up from 35% in 2015. STX has a market cap of \$20.2B and trades 13.4X Earnings, 12X EBITDA, 2X Sales and yields a 3% dividend. STX forecasts see revenues growing 6.6% in 2022 with EBITDA rising 17%. STX recently launched its Lyve edge-to-cloud platform which is in the early innings and seen as a \$50B opportunity by 2025. STX is transitioning from a long period of revenue declines to a multi-year growth cycle and in the July quarter STX should guide FY22. Analysts have an average target of \$88.40 and short interest is 6% of the float. Goldman has a Sell rating due to concerns of a more challenging competitive environment. Barron's was out positive last weekend noting new enterprise applications are powering a renaissance in hard drives and STX cheap on valuation. Benchmark raised its target to \$95 after the quarter and MSCO to \$98 noting margin expansion and potential to re-rate higher with consistent growth. Hedge Fund ownership fell 11% last quarter, Value-Act the top holder as its largest position.

#### Hawk Vision:



**Hawk's Perspective:** STX has pulled back nicely to an attractive level, unusual OTM call accumulation, potentially could see Value Act push it to sell itself.

**Confidence Ranking:** \$\$