

SPOTLIGHT OPTION TRADE



Storage Company Cheap into Strong Growth Period and Strong Seasonal Bias

TRADE SNAPSHOT

TICKER	WDC
SECURITY	Western Digital
SECTOR	Tech – Hardware - Storage
CURRENT PRICE	\$59
LONG/SHORT	Long
TARGET	\$65
STOP	\$55
TIMEFRAME	6 Weeks

Trading Strategy: Long the **WDC** January \$60/\$65 Call Spreads at \$1.65 Debit

Net Debit/Credit: Debit \$1.65

Profitability Zone: WDC Above \$61.65 on January OpEx

Options Volatility / Trade Simulator View:





Technical Analysis: WDC shares regained VWAP off the August 2020 lows and basing the last week weeks with weekly RSI looking to clear 50 and MACD nearing a bull crossover, potential to target a 50% retrace at \$63.90 while the volume pocket extends closer to \$65. All of this comes into December, a month WDC shares have closed higher 80% of the time the last ten years with an average return of +8.7% and Median of +7%.



Fundamental Analysis: The \$18.3B company trades 6.1X Earnings, 5.5X EBITDA and 18.25X FCF with a lot of cash and revenues seen rising 15% in FY22 with 38.8% EBITDA growth, strongest year since 2017. WDC is a leading developer, manufacturer, and provider of data storage devices and solutions that address the evolving needs of information technology and the infrastructure that enables the proliferation of data in virtually every industry. The growth in computing complexity, cloud computing applications, connected mobile devices and Internet connected products, and edge devices is driving unabated growth in the volume of digital content to be stored and used. The storage industry is increasingly utilizing tiered architectures with HDDs, solid state drives and other non-volatile memory-based storage to address an expanding set of uses and applications. WDC could see a news-driven move as it may look to consolidate and/or separate the NAND and HDD businesses. Micron recently surged on optimism that pricing and volume in DRAM is better than feared. Analysts have an average target of \$75 with short interest low at 2.7% of the float. Mizuho recently upgraded to Buy with a \$75 target on improving checks across PC, server and handsets. Craig Hallum lowered its target to \$90 in October and noted it is time for it to break up its flash and HDD businesses and sees valuation at \$116 on a sum of the parts basis.

Options Activity:

Date	Description	Volume	Open Int	Price	Delta	Impl Vo	Prob. ITM	Premium Paid	Symbol	Current Price	Current OI	Price Change
11/29/2021	WDC 100 17 JUN 22 60 CALL	797	443	\$7.29	0.54	45.77%	40.21%	\$581,013	.WDC220617C60			
11/22/2021	WDC 100 (Weeklys) 3 DEC 21 58 CALL	1,883	120	\$0.99	0.38	43.04%	35.29%	\$209,013	.WDC211203C58	\$1.40	2031	41.41%
11/18/2021	WDC 100 (Weeklys) 3 DEC 21 52 PUT	2,011	39	\$0.65	-0.22	42.33%	24.61%	\$134,737	.WDC211203P52	\$0.25	681	-61.54%
11/17/2021	WDC 100 14 APR 22 52.5 PUT	2,000	1,144	\$4.15	-0.35	42.35%	45.04%	\$830,000	.WDC220414P52.5	\$3.30	2424	-20.48%
11/17/2021	WDC 100 (Weeklys) 3 DEC 21 54 PUT	2,001	37	\$0.54	-0.18	37.79%	20.24%	\$108,054	.WDC211203P54	\$0.38	622	-29.63%
11/16/2021	WDC 100 20 JAN 23 105 PUT	200	36	\$48.00	-0.77	44.57%	92.63%	\$960,000	.WDC230120P105	\$48.00	46	0.00%
11/16/2021	WDC 100 (Weeklys) 14 APR 22 50 CALL	200	187	\$11.10	0.75	43.35%	65.97%	\$223,000	.WDC220414C50	\$10.70	533	-3.60%
11/15/2021	WDC 100 21 JAN 22 57.5 PUT	2,501	1,356	\$2.95	-0.383	39.38%	44.88%	\$737,795	.WDC220121P57.5	\$4.28	4435	45.08%
11/12/2021	WDC 100 17 DEC 21 62.5 CALL	2,153	1,837	\$2.82	0.47	43.01%	42.19%	\$602,840	.WDC211217C62.5	\$0.96	3529	-65.96%
11/11/2021	WDC 100 17 JUN 22 72.5 CALL	915	124	\$3.00	0.3	41.64%	19.81%	\$306,525	.WDC220617C72.5	\$4.15	992	38.33%
11/8/2021	WDC 100 17 DEC 21 57.5 PUT	1,012	375	\$3.50	-0.55	36.90%	59.78%	\$354,200	.WDC211217P57.5	\$2.40	1338	-31.43%
11/5/2021	WDC 100 21 JAN 22 62.5 CALL	2,132	741	\$1.57	0.289	36.97%	23.41%	\$334,724	.WDC220121C62.5	\$2.45	4114	56.05%
11/1/2021	WDC 100 (Weeklys) 14 APR 22 45 PUT	1,800	1,555	\$1.99	-0.21	40.96%	29.44%	\$358,200	.WDC220414P45	\$1.72	3363	-13.57%
10/28/2021	WDC 100 (Weeklys) 14 APR 22 80 CALL	4,572	1,851	\$1.10	0.15	42.37%	9.03%	\$502,920	.WDC220414C80	\$1.50	9104	36.36%
10/27/2021	WDC 100 20 JAN 23 50 PUT	2,000	2,398	\$6.85	-0.32	40.60%	49.16%	\$1,370,000	.WDC230120P50	\$7.00	7315	2.19%

Potential Catalysts: UBS Conference on 12-6 and Barclays Tech Conference on 12-7

Disclaimer:

Not Investment Advice or Recommendation

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