



FEATURED OPTIONS RADAR REPORT



Bulls Position for 2H Upside in Leading Tech Storage Provider

Ticker/Price: WDC (\$64.64)

Analysis:

Western Digital (WDC) bullish options positioning is picking back up this week with 3000 October \$65/\$75 call spreads bought on 7/20 and 1500 January \$65 calls bought at \$7.35 to open. WDC still has unusual 10,000 January \$110 calls in open interest from a 5/4 buy and also has seen scattered put sellers in January 2023 while 9500 October \$75 calls bought remain in open interest. WDC has pulled back to multi-month lows and sits just above a 38.2% retracement level at \$61.15 and its 200-day moving average at \$59.70. WDC will report on 8-4 but peer **Seagate (STX)** reports that week and there will be plenty of chipmakers discussing the memory markets. WDC recent weakness has correlated with crypto markets after seeing a surge in demand for its products with the boom but China has been cracking down on mining. 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. WDC is now in year two under their new CEO who has taken some bold moves so far to bring value into the name. In October, he announced an internal separation of their HDD and Flash businesses which many think could lead to a formal spin off. It was reported earlier this year that the company is pursuing Kioxia, the former Toshiba memory business, in a sizable deal that would make WDC far and away the leader in the space. WDC has a market cap of \$20.65B and trades 7.2X Earnings, 8.7X EBITDA, and 1.27X Sales. Forecasts see revenues down 1.1% and EBITDA down 3.1% in 2021 before rebounding strong in 2022 at +21.7% and +62% respectively. WDC is expecting a very strong year on the cloud side and launched its new 16, 18 and 20-terabyte families. It also is hopeful demand returns as people come back to the workplace for on-premise. HDD margins are expected to rise after bottoming in Q3. Analysts have an average target of \$90 and short interest low at 1.8% of the float. Benchmark positive on 7/1 after **Micron (MU)** posted record NAND sales with the market set to remain tight through 2022, a \$92 target on shares. Stifel raised its target to \$110 in June after the **STX** positive pre-announcement. SIG on 6/11 upped its target to \$155 positive on the new cycle. Hedge Fund ownership jumped nearly 14% in the latest quarterly filings, Lyrical and Point-72 adding to positions.

Hawk Vision:



Hawk's Perspective: WDC looks quite attractive on valuation and into 2H as we start to look out at 2022 numbers, the 200-MA a nice level to be trading against.

Confidence Ranking: \$\$