



FEATURED OPTIONS RADAR REPORT



Western Digital Bulls See Further Upside

Ticker/Price: WDC (\$72)

Analysis:

Western Digital (WDC) with 5,000 May \$85/\$95 OTM call spreads bought for \$1.18 as some April spreads adjust higher into strength. WDC has seen some sizable bull flow recently including buyers in the July \$67.50 calls over 14,500X on 3/31 and the May \$70 calls with over 13,000 bought recently. WDC has also seen accumulation in size for the July \$70 and \$72.50 calls. Shares have run strong November and now flagging in a weekly range under \$72.65 with a breakout targeting \$87-\$88.

The rising 50-day was supportive recently on a pullback and trending well now above its 8-day around \$70. The \$20.85B company trades 10.8X earnings and 1.3X sales with mid-teens growth. WDC expects to earn over \$4.50/share by FY23. WDC should benefit from a stabilizing NAND market with commentary from Micron last week pointing to supply/demand imbalances that should continue into the 2H. 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. And now recently there was news as well 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. The two companies have had a 20-year relationship prior. Analysts have an average target for shares of \$72 with a Street High \$100. Evercore has the high mark for the name and noted in March that they see five drivers higher for the name: a NAND market recovery and selling price uplift, NAND mix improving in the 2H, the nearline business recapturing market share, HDD gross margins moving back to 30% and a more favorable tax rate that could add \$1 to EPS. Benchmark positive last week after Micron's commentary around demand. MSCO positive on 3/22 as they think the company has strong positioning in the NAND space and their technology continues to be very strong on a relative basis. In addition, WDC has an underappreciated low capital intensity versus peers in NAND. Short interest is 1.9%. Hedge fund ownership rose 4.85% in Q4, Maple Rock Capital and MaplePlane buyers of calls and stock.

Hawk Vision:



Hawk's Perspective: WDC flows have been massive lately and looks poised to continue its leadership out of this range; shares are a bit extended near-term but watching for a reversal back around that 8-EMA at \$70

Confidence Ranking: \$\$