



MicroChip Bulls Position for Upside

Ticker/Price: MCHP (\$86)

Analysis:

Microchip (MCHP) buyers today of 400 October \$85 calls for \$8.10 and follows 4,000 April \$87.50 calls on Friday and 1,000 May \$70 puts sold to open last week. MCHP has seen buyers in the July \$90, June \$90 and \$95 calls, and June \$82.50 short puts in recent weeks. MCHP still has some size January 2021 short puts in OI as well. Shares pulled back to the 13-week EMA after a strong run in early 2019 and moving out of a small downtrend today with a move over \$90 targeting the April 2018 highs. RSI is moving back above 50 on the daily timeframe while MACD is curling over bullish, plenty of room for extension up. The \$19.23B company trades 12.3X earnings, 3.8X sales, and 18.5X FCF with double-digit growth. MCHP sees 4.8% and 6.2% revenue growth through 2021 as they enter year two and three of their \$10B MicroSemi deal which expanded their scale in aerospace/defense and telecom, end-markets where MCHP was under-represented. MCHP is coming off a strong quarter with inventories stabilizing and their CEO calling the March quarter potentially the bottom of this cycle for the company. Analysts have an average target for shares of \$103 with 11 buy ratings and 6 hold ratings. Citi with a \$105 PT noting the company's business is bottoming given downside is decreasing and MCHP is shipping below consumption. They also see a US/China deal as a "bonanza" to business. Piper sees a strong 2H and noted on 3/21 that MCHP is gaining traction in recent checks. They have a \$130 PT. Short interest is 15.7%, fairly elevated, but down slightly from the February highs. Institutional ownership fell 9.85%. Lyrical Asset Management a top buyer of 4.2M shares. MCHP is trading back at a level where the COO bought \$1M in stock last year at \$84.10, a notable insider buy.

Hawk Vision:



Trading Strategy: MCHP is a name I have an alert in \$86.75 for a breakout, though the high short float keeps me hesitant considering there are better Semi names like ADI/XLNX.

Confidence Ranking: \$\$