



## Large Call Premium Bought in Cirrus Logic

**Ticker/Price:** TECK (\$24.50)

### Analysis:

**Cirrus Logic (CRUS)** buyers of 650 September \$45 calls this afternoon up to \$5 and volume continues to come in with over 4,250 trading on the day, almost 8X average. CRUS had the January \$55/\$35 bull risk reversal opened 1,200X last week but today's action will be the most notable in open interest. CRUS shares have been strong since gapping lower on 4/1 and breaking out of a multi-month range about \$45.35 which stretches back to early 2018. CRUS cleared a downtrend from the 2017 highs earlier this year and has a measured move to \$55 and a big volume node from 2017. The \$2.62B company trades 21X earnings, 2.1X sales, and 9.97X FCF. CRUS has seen forward estimates under pressure due to their reliance on Apple (the early April gap down was due to CRUS not being in the Air Pod 2, a reasonably small revenue driver however). The company has focused a lot of effort on diversifying their base with expansion into mid-tier smartphones, a market they see doubling by 2021 and a lot of opportunity to gain share in the space. CRUS is also focusing on voice biometrics developing chips used to power digital assistants in smartphones, wearables, and other hardware. The biometrics market is one they see reaching \$750M by 2021, up from virtually nothing in 2017. CRUS is focusing on new customers and partnerships in the space. Analysts have an average target for shares of \$42 with 3 buy ratings, 3 hold, and 3 sell. Susquehanna positive on 3/4 noting that CRUS is a big winner in the new Samsung generation having won the new amplifier sockets in the S10 as well as maintained their codec in the Exynos version. Short interest is 6.3% and down steadily from as high as 16% in mid-2018.

### Hawk Vision:



**Trading Strategy:** CRUS looks like a comeback story but with shares overbought and positioning in September, time to wait for a dip and proper base before executing a position in my view.

**Confidence Ranking:** \$\$\$