



Skyworks Near-Term Calls Hot as Concerns Overblown

Ticker/Price: SWKS (\$69.25)

Analysis:

Skyworks (SWKS) basing under the 8 MA and seeing 2400 June \$70 calls bought this morning up to \$2.55, aggressive action with IV rising. The action follows a buyer of 1,000 July \$70 calls on 5/24 and also some activity in August \$72.50 calls while August \$67.5 and November \$50 puts were sold to open. SWKS shares have pulled back sharply with the Semi sector as well as fears of a slowdown at Apple (AAPL) and sit back near multi-year lows, the \$60 level longer term support, but a move above \$70.35 near-term can spark a rally back to \$80. The \$11.9B Semi is cheap at 9.35X Earnings, 3.25X Sales and 28.5X FCF with a 2.22% dividend yield. SWKS is in a transitional year seeing revenues down 8.6% Y/Y after two solid years and before re-accelerating to a double digit EPS name next year. SWKS is a play on the connected economy and has been expanding to new markets like IoT, Smart Audio, Connected Home and Auto. It also sees a big opportunity in 5G. Analysts have an average target of \$98 on shares and short interest low at 3.2% of the float. Craig Hallum raised its target to \$105 in early May seeing significant content expansion from 5G phones in 2020 and near-term results should be disregarded as a future growth play. Canaccord lowered its target to \$90 on 5/21 lowering estimates for the Huawei disruption. Hedge Fund ownership rose modestly in Q1 filings, Vulcan Value and Alyska notable top holders but both reduced positions in Q1.

Hawk Vision:



Trading Strategy: SWKS has a clear trade-against level and a move above the 8 day MA would signal entry, the longer term opportunity at this valuation is starting to look compelling.

Confidence Ranking: \$\$