



## Knowles Calls Hot into Analyst Day

Ticker/Price: KN (\$20)

### Analysis:

**Knowles (KN)** buyers active early for 1,800 October \$22.50 calls and later 1,685 March \$25 calls up to \$1.40, over 6.5X average volume in the first 30 minutes. KN still has size in the Sept. \$17.50 and \$20 calls. Shares are putting in a reversal candle today off of August support and forming a series of higher lows since the earnings gap higher in July. KN is consolidating in a bull flag under \$21 while big long-term range breakout remains in play which targets \$ 28.50. The \$1.85B company trades 15.5X earnings, 2.19X sales, and 34.5X cash with double-digit EPS growth. KN is targeting 12.2% and 17% revenue growth with improving margins over the next two years. KN is coming off a strong quarter with growth in precision devices up 25% as demand from Mobile, Ear, and IoT markets improves. Their Intelligent Audio business has upcoming product catalysts with new handset rollouts and multi-core processors later this year. KN has been under pressure from activist Caligan Partners and Falcon edge who are pressuring the company to consider alternatives, including a sale. They reportedly reached a deal in April but talks stalled over a standstill agreement. KN will host an Analyst Day on 9/17. Analysts have an average target for shares of \$19.50. Susquehanna upgrading to Positive on 7-25. The firm has a \$22 PT seeing new product opportunities namely BA speakers, 5G, RF, and ear/IoT. The analyst also thinks KN's upcoming analyst day is a likely catalyst given activist pressure. Short interest is 10.9% and continues to move lower since hitting around 15% in mid-2018. Hedge Fund ownership rose 1.3% in Q2. Caligan Partners, Falcon Edge, and Ariel Investments all notable holders. KN has seen a number of smaller insider buys this year including purchases in June from the President of Intelligent Audio around \$15.84.

### Hawk Vision:



**Hawk's Perspective:** KN setup is strong showing relative strength recently and a clean breakout could see a big sentiment shift out of that monthly range. The analyst day a clear catalyst and one to position around if considering.

**Confidence Ranking:** \$\$