



## ST Micro Put Sales See Confidence in 2020 Turnaround

**Ticker/Price:** STM (\$17.80)

### Analysis:

**ST Micro (STM)** shares consolidating in a multi-week range and seeing 1,450 January 2021 \$20 puts sold to open today for \$4.20. STM has over 13,000 October \$20 calls in OI from earlier this year as well as 7,000 of the \$17.50 calls while the January \$17.50 calls have more than 4700 in OI from buyers. A move above \$18.25 has room back to 52-week highs around \$20 while MACD is turning higher on the daily after pulling back around zero. STM has a nice weekly consolidation which targets a move higher to \$25. The \$16.65B semiconductor trades 13.6X earnings, 1.77X sales, and 45X FCF with a 1.4% yield and strong earnings growth. STM sees revenues higher by 7% next year and 5.8% in FY21 with margins near their best levels since 2001. STM cut their outlook in July but seeing signs of recovery in industrial and automotive out into 2020, the latter especially as demand for smart mobility grows amid a major electrification/digitalization push. Analysts have an average target for shares of \$18. Goldman upgrading to Buy on 89 with a \$19.20 PT. The firm had been cautious given risks to 2H estimates but these fears are baked into the reset fiscal year guidance. Further, while demand remains weak in several key end markets, semiconductor specific conditions have started to improve given a multi-quarter analog downcycle. Short interest is less than 1%. Hedge Fund ownership rose 3.2% in Q2. Van Eck, KCL Capital, and Aperio Group all notable holders. STM will be at the Deutsche Bank Tech conference on 9-10.

### Hawk Vision:



**Hawk's Perspective:** STM has been having problems getting traction above this 20-/50-MA range and potential for bear flag to continue lower back to the 200-day. These are longer-dated so can have some time to stalk a better entry.

**Confidence Ranking:** \$\$