



## Microchip Tech Large Call Buy as Semiconductors Lead

Ticker/Price: MCHP (\$95.40)

### Analysis:

**Microchip Tech (MCHP)** with one of the larger trades on 9/11 as 2,700 January \$97.50 calls opened for \$5.65 in a \$1.5M trade. MCHP also saw 700 November \$100 calls bought on the day for \$250K and has some bullish OI out in longer dated calls as well. On the weekly chart MCHP shares are forming a multi-year inverse head and shoulders pattern for the \$60/\$100 range that measures to long-term upside at \$140. Shares are currently back near the April and July highs with positive China developments boosting the Semiconductors. The \$22.3B Semi trades 13.7X Earnings, 4.1X Sales and 17.9X FCF with a 1.53% dividend yield. MCHP revenues are expected to climb just 1.1% this year after jumping 34.4% in FY19 and will next report in early November. MCHP is a leading provider of Microcontroller, Mixed-Signal, Analog & Flash-IP Solutions and Huawei is just 1-2% of its revenues. MCHP has continued to gain market share and trails only Renesas and NXPI in the Microcontroller market and overall diversified with Industrial, Auto, Consumer, and Computing its largest end-markets. Analysts have an average target of \$105 and short interest is high at 15% of the float elevated near a three-year high. B. Riley out last week with a \$120 target with easing tariff concerns and fundamentals are gradually bottoming. Piper has a \$110 target and Wells Fargo at a \$115 target. BAML has a \$96 target noting risks include highest debt leverage among Semis, trade/China worries, and elevated inventory while positives include its strong gross margin guidance. Hedge Fund ownership dipped 12.8% in Q2 filings, Dodge & Cox adding to a large positions and Winslow Capital with a new \$221M stake. Aristotle and Lyrical other notable concentrated top holders, both reducing slightly in Q2.

### Hawk Vision:



**Hawk's Perspective:** MCHP is quite extended near-term and a base retest could be in order, the high short float concerns me here and been preferring NXPI, ADI, TXN.

**Confidence Ranking:** \$\$