



OptionsHawk



TI Put Sales See Confidence in Current Valuation

Ticker/Price: TXN (\$127.55)

Analysis:

TI (TXN) seeing 2,250 November ATM \$125 puts sold to open for \$5.15 on the PHLX today and common strategy in the name with put sales across the June 2020 \$125 and \$120 puts as well as the January \$125 puts recently. The June 2020 \$130 calls also with buyers on 8-13 while the January \$125 calls have over 10,000 in OI and buyers adding on 8-12. Shares are rising this week back near a flag breakout which targets \$140 while the longer-term trend points to considerable upside beyond \$150. TXN is a bit overbought near-term like other semis with the rising 20- and 50-day MA below around \$125 key on a pullback. The \$118B company trades 22X earnings, 7.75X sales, and 28X cash with a 2.45% yield and double-digit growth. TXN has outperformed peers over the last year (+18% vs +11.8%) while 5-year outperformance also strong. The company sees revenue growth of 5.25% and 5.65% the next two years with margins improving after contraction in 2019. TXN is managing through a slowdown in both analog and embedded processing while ramping production of their 300mm production in anticipation of a turn in the 2H of the year. They're seeing a slightly better mix as well towards communications equipment while adding market share in industrial. Analysts have an average target for shares of \$118.50. Loop Capital raising their PT to \$140 on 7-24 with management sounding more upbeat and constructive on the call. BMO with a \$150 PT seeing meaningfully higher free cash flows and earnings potential as the company's 300mm manufacturing footprint continues to grow. Jefferies sees potential for upward revisions to estimates as chances are high for an inventory restock in the 2H of 2019. Short interest is 2.1%. Hedge Fund ownership fell 8.3% in Q2. Harris Associates, AQR, and Diamond Hill all notable holders.

Hawk Vision:



Hawk's Perspective: TXN has been a relative outperformer in the space for a while now and coming off a quarter where they sounded more confident in the environment than before. On the chart, its setting up like a lot of other names in the space which have run and need to setup again.

Confidence Ranking: \$\$