



Xilinx Upside Call Spreads Position for End of Year Run

Ticker/Price: XLNX (\$95.80)

Analysis:

Xilinx (XLNX) with 3000 December \$100/\$110 call spreads bought to open for \$3.12 today after 5000 of the October \$95 calls were bought yesterday and up big today with shares 3% higher as Semiconductors rally on China optimism. Shares have been basing the last week and working above its 8 day EMA today, looking at a weekly reversal candle at a 61.8% retracement and retest of the 2019 breakout as well as the 89 week moving average. XLNX has also seen traders actively selling March puts to open recently with 3000 of the \$85 puts defining a level of interest. XLNX also with 2500 December \$115/\$125 call spreads bought today, though does still have a lot of November put open interest that caught the move lower. The \$23.5B Semi trades 22.35X Earnings, 7.3X Sales and 31.2X FCF with a 1.6% dividend yield. XLNX topline growth above 11% is strong and EPS seen rising 6% this year, FY20. Key growth drivers for XLNX include 5G, Data Center and Automotive and sees its market opportunity expanding to \$24B in FY24 from \$15B in FY20 and all with strong CAGR. AI is an emerging area of strength. The company launched Alveo last year, their accelerator card, which is expected to see strong uptake in the 2H of 2019 and an incremental driver in 2020 and beyond. Analysts have an average target of \$122 and short interest low at 3% of the float. SunTrust lowered its target to \$102 on 10/2 preferring NVIDIA (NVDA) in the current cycle downturn. Bloomberg reported on 10/1 that Microsoft would be using XLNX chips in some data centers, moving away from Intel. Argus out on 9/24 with a \$145 target seeing concerns of the CFO departure as overdone. On 9/20 MSCO stayed bullish despite near-term headwinds. BAML also cautious on 9/20 on increased 5G base station competition and a slower ramp in data center. Hedge Fund ownership fell 22% in Q2 filings.

Hawk Vision:



Hawk's Perspective: XLNX has pulled back to a nice technical reward/risk spot and continue to see it as an eventual potential M&A target, though currently continue to favor names with healthy price action like **NXPI**, **MCHP**, **TXN** and **ADI**.

Confidence Ranking: \$\$