



Qorvo Size Bullish Call Buy into Key Level of Support

Ticker/Price: QRVO (\$78.70)

Analysis:

Qorvo (QRVO) buyer yesterday of 1500 June \$77.50 calls up to \$8.00 to open and follows buyers over the last two weeks in the April \$92.50 and \$95 calls. The August \$80 puts were also sold to open in early February while sellers in the June \$82.50, \$72.50 and August \$65 puts from late 2019 remain in OI. Shares are back at a big level from 2018/2019 as well as VWAP from the 2016 lows. The \$8.05B semiconductor trades 10.8X earnings, 2.57X sales, and 10.7X FCF with a clean balance sheet and strong long-term growth visibility. QRVO cut their Q4 outlook in early March due to COVID-19 but seen as more of a short-term setback than a permanent or longer-term impairment given the longer-term contracts and growth projections for 5G. QRVO gets about 30% of its revenue from Apple which has resumed normal production as the region is far ahead of the ROW in containment, while their other exposure like Samsung and Huawei are also back on track. QRVO remains a long-term favorite in the space given their content exposure to 5G, dominance in high-band PAD, and leadership in consumer/IoT with the RF market is expected to grow to \$18.5B over the next three years. QRVO has 70% exposure to phones and 30% to infrastructure/defense products. Short interest is 4.2% and down steadily from around 8% in early 2018. Hedge fund ownership fell 9% in Q4, Vulcan Value a big seller but still holding over 8.2M shares. Baupost a holder of 2.75M shares. Analysts have an average target for shares of \$111. Cancacord upgrading to Buy on 3-3 positive on the long-term story as QRVO looks well positioned to grow content share in both 5G infrastructure and smartphones. JP Morgan positive in late-February noting that despite weaker 5G smartphone sell-through trends thus far in 2020 and Apple's coronavirus-related negative pre-announcement, QRVO should see strong dollar content-led opportunities in the 2H. BAML positive on 3-11 with a \$100 PT seeing the pushback in 5G ramp as a temporary setback and a key opportunity to buy the key enablers at a 20-30% discount. In January, Broadcom (AVGO) announced they were looking to divest their RF chip unit and QRVO a potential buyer, although less likely than someone like Skyworks (SWKS).

Hawk Vision:



Hawk's Perspective: QRVO is a favored Semi and now trading at discounted valuation, though now ten points off ideal support.

Confidence Ranking: \$\$