



NXP Semi Bulls See Brighter Days Ahead

Ticker/Price: NXPI (\$106.70)

Analysis:

NXP Semi (NXPI) was a focus of bullish size trade on 4/29 as the September \$110/\$140 call spreads were bought 2500X at \$7.74 against an opening sale of 2500 September \$80 puts at \$2.34. NXPI on the day also with 1000 September \$125 calls at \$4.70 and 1000 July \$120 calls at \$4.15 opening. NXPI did see 2700 June \$105 calls sold to open on 4/20 and has over 3000 June \$95 calls bought from 3/31 in open interest. NXPI also still has the 5,200 January \$115/\$95 bull risk reversals from 1/13 in open interest and over 4,500 of the January \$135 calls that were bought. NXPI corrected with the rest of the market in March and found support at 2016 and 2018 support and has recovered quickly. Shares have now retraced 61.8% of the decline off the highs and still has some room to push back to \$120. The \$30.1B Semi trades 13.5X Earnings, 3.4X Sales and 8.75X FCF with a 1.4% yield. NXPI reported this week with revenues down 3.5% Y/Y in-line with estimates, though below its expectations noting automotive OEMs initiated factory shutdowns combined with order pushouts from both industrial and mobile customers. Its focused investments in leading-edge new products and customer engagements in fast-growing segments, such as ADAS and automotive electrification, in secure connected edge processing for the IoT and the secure ultra-wideband are all very durable and enjoy significant design win traction. NXP is highly leveraged to automotive and industrial end-markets with 65% of revenues. Automotive is a big area long-term for NXPI with a \$2B potential market as they expand in automotive radar systems and smart battery management. In May 2019, NXPI reached a deal to buy Marvell's (MRVL) Wireless Connectivity business for \$1.76B in cash. Total debt at the end of the first quarter was \$7.37 billion, flat sequentially and ending cash position was \$1.08 billion, ratio of net debt to trailing 12-month adjusted EBITDA at the end of Q1 was 2.1x. Analysts have an average target of \$114 and short interest at 1.7% of the float is down 42% Y/Y. Loop Capital lowered its target to \$125 seeing signs of automotive recovery in China. OpCo was encouraged by early Q3 commentary although visibility remains fairly poor. Hedge Fund ownership rose 7.2% in Q4 filings, Soroban Capital a large position and Point-72 a top holder.

Hawk Vision:



Hawk's Perspective: NXPI could stall a bit at the 200 MA and look for better entry in the name lower, a favored name, but obviously a tough environment currently and need to see auto production restart.

Confidence Ranking: \$\$