



## DuPont Bulls Position for Upswing

Ticker/Price: STM (\$25)

### Analysis:

**ST Micro (STM)** with 3,500 November \$25 calls being bought on Friday up to \$4.10, notable positioning in the name. STM has seen buyers in the July \$20 calls recently while the Jan. 2022 \$40/\$25 bull risk reversal bought in February remains in OI. Shares moved out of a bull flag on Friday and back above its 20, 50- and 200-MA into some clear space back to \$30. The \$22.4B semiconductor trades 19.5X earnings and 2.3X sales with a 1% yield and strong cash position and limited debt. They have a Current Ratio of 3.1X. Given the recent pullback, shares trade cheap at 1.8X EV/sales on a FY22 basis. STM reported a mixed Q1 with exposure to a slowdown in auto manufacturing but management guiding to a bottom in Q2 and recovery through year-end. Inventory levels remained positive in MCUs and while they expect to see some build from Q1 slowdowns, it'll be fully reabsorbed in the 2H given customer demand. The long-term trajectory for some of their biggest areas of interest like EVs and industrial IoT remain robust while they've been winning more design contracts in 5G smartphones and the next cycle expected to be a significant long-term driver. In the near-term, STM expects tailwinds from SiC project ramps (time of flight sensors, ranging sensors). Analysts have an average target for shares of \$25. JP Morgan downgrading to Neutral on 4-14 but noting that STM should "meaningfully participate" over the next auto and smartphone cycle but short-to-medium term disruptions shouldn't be underestimated. Short interest is minimal. Hedge fund ownership fell 11%.

### Hawk Vision:



**Hawk's Perspective:** STM is one of the healthier looking Semiconductors and with the Apple production delayed could be a strong 2H performer. I see near-term resistance near \$27.

**Confidence Ranking:** \$\$