



## FEATURED OPTIONS RADAR REPORT



### ON Calls Hot as End-Markets Improve, Koch Stake Eyed

**Ticker/Price:** ON \$19.45

#### Analysis:

**ON Semi (ON)** trading over 20X average calls in the first two hours of the day with buyers of more than 35,000 July \$21 calls up to \$0.80, over 6,000 of the \$22 calls, and 3,000 of the \$20 calls. ON still has over 20,000 October \$19 calls in OI as well as 5,000 October \$20 calls from buyers in mid-June. Shares are trading in a narrow bull flag above the May breakout area of \$18 and reclaiming the 21-MA this morning. A move above \$20.50 has room back up to the January/February highs around \$24 and out of a longer-term downtrend. The \$8B semiconductor trades 15.35X earnings, 1.5X sales, and 4X cash with estimates calling for high-single digit growth. ON management has set long-term targets for margin improvement to 40-45% with over \$3/share in EPS power driven by growth in automotive. ON continues to win share in 'next-gen' auto and has smaller exposure to fast-growing areas like 5G and cloud. ON Semi adopted a poison pill in early June after Spring Creek Capital bought a 7.5% stake in the company. The hedge fund, run by Koch Industries, may take their stake up to 15%. Piper noted last week that while management likely sees their stock undervalued they may be open to talks at a 'fair takeover premium.' Analysts have an average target for shares of \$20. Benchmark positive on 6-9 noting that recent industry data points from ON's biggest end market, automotive, point towards a potential improvement in the company's revenue trajectory in the back half of the year. Rosenblatt starting at Buy on 6-5 as the firm expects manufacturing facilities will resume pre-COVID-19 utilization rates during the September quarter. Piper upgraded share to Buy on 6-23 seeing upside to 50% gross margins. Short interest is 5.8% and flat since about 2018. Hedge fund ownership fell 4% in Q1. Spring Creek Capital a buyer of 22M shares while Maple Rock Capital also a buyer of shares.

#### Hawk Vision:



**Hawk's Perspective:** ON has a strong setup to manage with upside of around \$3-\$4 vs the recent lows and while their fundamental outlook is likely to improve in the near-term, the Spring Creek stake is an interesting driver as well

**Confidence Ranking:** \$\$