Micron Bullish Action Sees Positive Reward to Risk

Ticker/Price: MU ($46.4)

Analysis:

Micron (MU) with 7,000 January 2022 $43 puts sold to open this morning for $9.40 to $9.35, sizable institutional trade showing long-term willingness to own stock around current levels. MU has seen a lot of bullish flows lately including size buyers in the June $46 and $47 calls, the July $50 calls, and January $50 calls, the latter for more than $16M back on 3/25. Shares are coiled around YTD VPOC as well as the 200-MA at $47/$48 and the 50-day MA starting to curl higher and just below today's lows. A breakout targets a run back near 2020 highs at $60. The $51.5B company trades 9.67X earnings and 2.6X sales with mid-to-high teens growth and limited debt. MU expects a solid ramp in earnings power in the next 2-3 years up from $2.50 to over $7 in FY22. MU gave a positive update last week on the quarter citing better pricing and execution while work-from-home has been a solid demand driver for both DRAM and NAND. The CEO also noted at the Bernstein conference that they expect pent up demand for smartphones to come back with the lockdowns easing and that 5G will be a long, multi-year growth cycle which will support demand for both memory and storage as well as higher content per unit. Analysts have an average target for shares of $62.50. Rosenblatt with a $100 PT on 5-28 seeing further growth in the August quarter. Wells Fargo continues to see evidence the company can return to its mid-cycle $7/share in earnings power given the better pricing environment. Short interest is 3.2% and around 20-year lows. Hedge fund ownership rose 3.5% in Q1. Viking Global, Sanders Capital, Point72, Whale Rock, and Himalaya Capital all notable buyers and top positions. MU will report earnings on 6-29.

Hawk Vision:

Hawk's Perspective: MU has a long range set-up here and nice reward/risk versus the recent low while a move above the 200 MA should start a strong trend move.

Confidence Ranking: $$