



Cerence Upside Calls Heat Up

Ticker/Price: CRNC (\$43.30)

Analysis:

Cerence (CRNC) seeing interesting bullish options flow this week, the July \$50 calls starting to accumulate with open interest around 1000, the August \$30 puts sold to open 2300X back on 5/28 into weakness, the November \$50 calls with 500X bought and nearly 500 February \$60 max strike and timeframe calls bought aggressively in high dollar contract trades. CRNC shares in a very strong trend since the March lows have ridden the rising 21 day moving average higher since the breakout in early May and consolidating under a new high the last two weeks and potential to move up to \$50-\$60 on a breakout. The \$1.59B company was a spin-off from Nuance (NUAN) and is a provider of A.I. powered assistants and innovations for connected and autonomous vehicles. Its platform utilizes industry-leading speech recognition, natural language understanding, speech signal enhancement and acoustic modeling technology. Automotive virtual assistants built with its platform can enable a wide variety of modes of human-vehicle interaction, including speech, touch, handwriting, gaze tracking and gesture recognition, and can support the integration of third party virtual assistants into the in-vehicle experience. It sees key emerging trends like Vehicle Intelligence, Virtual Assistants, Distracted Driving, Share Mobility, Autonomous Driving and Electric Vehicles as propelling its market potential. Voice Assistance in vehicles is seeing growing adoption and 62% of new car buyers consider it a factor during purchase. CRNC is working to double its revenue per vehicle and expects to increase usage of a SaaS revenue model packaging new service offerings while also plans to pursue new after sale and adjacent market opportunities. Its solutions have been installed in more than 280 million automobiles to date, including over 45 million new vehicles in 2018 alone. CRNC currently trades 5.7X EV/Sales with revenues seen rising 13-15% per year in 2021/2022. Analysts have an average target of \$36.50 and short interest at 8.4% of the float. Jefferies started shares at Buy with a \$47 target on 6/8, citing its 75% market share in the rapidly growing vehicle assistant market and competition fears are overblown. Wedbush raised its target to \$40 in May with more confidence in its design wins and sees it further penetrating OEMs on the other side of the COVID-19 valley, expecting a strong recovery late 2020 and into 2021. Hedge Fund ownership fell 2.2% in Q1 filings.

Hawk Vision:



Hawk's Perspective: CRNC was a name highlighted with the large put sale into weakness as an opportunity to own a great name and continue to like it for its presence in a strong growth market.

Confidence Ranking: \$\$