



## FEATURED OPTIONS RADAR REPORT



### ST Micro Seen Strong for 2H20

Ticker/Price: STM (\$28.85)

#### Analysis:

**ST Micro (STM)** buyers 4000 October \$30 calls active this morning near \$1.75 to \$1.90 where OI already 3,927, name with a lot of bullish OI including 65,000 near-term August \$35 calls that are \$0.05-\$0.10 now, and also size in November \$25 and \$30 calls as well as other October call strikes. STM pulled back off recent highs and retesting a prior breakout and just above the rising 55 MA where it held and now looking to work above a key VPOC and its 8/21 MAs. STM can challenge its February highs soon near \$32. The \$25B Swiss semiconductor trades 20.2X Earnings, 2.65X Sales and has a strong balance sheet. STM also has attractive unit economics and a strong FCF generator with ROIC averaging 12% the last three years. STM had grown revenues 19.7% and 15.8% the last two years before the slowdown in 2019. In the latest quarter STM saw a decline in Automotive, Analog and Imaging products, partially offset by growth in Microcontrollers, Digital and Power Discrete. STM has 30% exposure to Analog MEMS, Sensors (AMS), 35% to Auto & Discrete (ADG) and 35% to Microcontrollers & Digital IC (MDG). Analysts have an average target of \$33 with short interest low at 0.6% of the float. UBS raised its target last week to EUR27 and MSCO last week to EUR30.5. Deutsche Bank raised to EUR 33. Barclays notes the strength in execution despite a tough circumstance and sets up well for accelerating growth in 2021. Cowen has a \$34 target and likes it in this political landscape as a non-US distribution friendly supplier to China. STM should see content gains and be a strong play on the new iPhone. Hedge Fund ownership jumped more than 12% in Q1 filings.

#### Hawk Vision:



**Hawk's Perspective:** STM has a great set-up as Auto troughs and Consumer rebounds into 2021, and with M&A active in Semiconductors again, a potential large target.

Confidence Ranking: \$\$