



Option Traders See Cree Rebounding from Earnings Woes

Ticker/Price: CREE (\$48.30)

Analysis:

Cree (CREE) buyers of 3,300 June \$50 calls today up to \$4.30 to open and follows buyers in the March \$50 calls over 1800X in late December and early January as well as 2,250 January \$55 calls. CREE also had 6,000 OTM Jan. 2022 \$75 calls bought on 1-16 for more than \$3.4M with shares trading around \$51. Shares ran strong from early 2017 up through early 2019 and have pulled back and based at trend support around \$45-\$50 over the last couple months. Shares have held the 50% retracement as well and a run over \$52 has room back up to a high-volume node near \$60 from May. The \$5.55B company trades 44X earnings, 5.5X sales and 5.8X cash with accelerating topline growth through 2022 (13.45% and then 26.5%). CREE has faced a number of near-term headwinds from the Huawei ban to a slowdown in 5G deployments but has announced a number of key long-term contract wins with Delphi, ZF, and ABB for their expanded silicon carbide wafer products. They estimate currently a \$9B pipeline across automotive, lighting, industrial, aerospace, and communications. And, overall, CREE remains positioned well as a leader in next-gen power semiconductors where more companies will be shifting resources given SC is lighter, smaller, and more efficient which will be in demand with growth in Electric Vehicles, IoT, industrial IoT, and small-cell tech. Analysts have an average target for shares of \$53 with 3 buy, 8 hold, and 3 sell ratings. Canaccord with a \$57 PT and Roth Capital with a \$61 PT noting that headwinds from the China trade dispute and volatile China EV sales are well understood and a recent contract win with Delphi is the largest single MOSFET contract in history, so progress should not be underestimated. JP Morgan cut to Underweight seeing their manufacturing expansion as near-term capital-intensive and challenging. Short interest is 8% and down steadily over the last 18 months from around 12.5%. Hedge fund ownership fell 12.5% in Q3. CREE has seen a director buy near \$300k in stock since May with buys at \$64.46, \$60.07, and \$45.87.

Hawk Vision:



Hawk's Perspective: CREE with that large position in Jan. 2022 calls seems like an opportunity as long as it holds the longer uptrend support.

Confidence Ranking: \$\$