



Microchip Semi Bulls Add Calls on 50 SMA Test

Ticker/Price: MCHP (\$102.40)

Analysis:

Microchip (MCHP) with 1,800 March \$105 calls bought yesterday for \$4.50 and follows buyers in mid-January in the June \$110 and \$120 calls, over 8,000 April \$115 calls, and the January ITM \$105 calls. Shares have pulled back just above the rising 50-day MA and the 50% retracement of the rally since November. MCHP is also back around the big weekly breakout level from December and name with a massive long-term target up to \$135. The \$24.21B company trades 16X earnings and 4.5X sales with a 1.45% yield. MCHP sees mid-teens EPS growth and revenues up 6% in both 2021 and 2022. MCHP raised their outlook on 1-7 seeing strength from all geographies and calling for a bottom to the cycle. They remain one of the more consistent names in the space with exposure to a number of mega-trends within tech. Short interest is 14.3%. Hedge fund ownership rose 4.8% in Q3. Point72 a notable buyer of shares and now near 1.4M shares. Analysts have an average target for shares of \$111 with 12 buy ratings and 5 hold. BAML raising to Buy on 1-10. The firm thinks MCHP is well positioned to benefit when demand returns given extremely lean channel inventory (2nd lowest level in 15 years) and diverse exposure to a number of secular megatrends as well as growth in defense spending where their exposure has increased significantly since its acquisition of MSCC last year. Keybank upgrading to Buy in October as they like MCHP's increasing diversity and long-term sustainable growth prospects in auto, industrial, defense & aerospace, and computing. MCHP will report on 2-4 and higher 3 of last 4.

Hawk Vision:



Hawk's Perspective: MCHP is a favored name but overall want to see the market stabilize, currently in a sell signal, and the Semi group base properly to avoid the volatility chop.

Confidence Ranking: \$\$