



FEATURED OPTIONS RADAR REPORT



Silicon Motion Put Sales See Value into Earnings Selloff

Ticker/Price: SIMO (\$65.45)

Analysis:

Silicon Motion (SIMO) a relative strength name through late April has sold off a bit the last two weeks but on 5/12 saw the September \$55 puts sell to open 7000X at \$2.65 into the weakness that added to some put sales on 5/10, a name otherwise lacking any notable open interest. SIMO shares remain in a strong uptrend above the rising 21-week moving average and retesting a key flag breakout from early April and shares broke out of a multi-year sideways range. SIMO is a global leader in developing NAND flash controllers for SSDs and other solid state storage devices. More NAND flash components, including current and up-coming generations of 3D flash produced by Intel, Kioxia, Micron, Samsung, SK Hynix, Western Digital and YMTC, are supported by Silicon Motion controllers than any other company. Its customers include NAND flash makers, module makers, hyperscalers and OEMs. SIMO has a market cap of \$2.13B and trades 11.7X Earnings, 3.6X Sales and 34.45X FCF with a 2.2% dividend yield and debt-free balance sheet with plenty of cash. SIMO will be presenting at several conferences starting May 18th at Needham through June 8th at Baird. SIMO recently beat estimates and also raised its outlook sharply, seeing very strong demand for its SSD and eMMC+UFS controllers. On the call SIMO noted it is gaining market share in SSD controllers and expects to gain another 5 to 10 percentage points of market share. Its eMMC+UFS controllers are gaining share as well with smartphone embedded storage technology continuing to rapidly transition from legacy eMMC to UFS. SIMO expects to reach its stated \$1B sales goal in 2023 sooner than expected, and in 2H next year will start sampling its enterprise-grade PCIe Gen5 SSD controller to hyperscalers in both the U.S. and China. Analysts have an average target of \$85 and short interest is minimal at 1.1% of the float. Needham raised its target to \$100 after the quarter citing a stellar quarter and “peak cycle” concerns are overblown. Roth Capital has a \$90 target seeing SIMO as a differentiated investment opportunity in flash embedded and storage drive controllers. Hedge Fund ownership jumped 4% last quarter, no major concentrated holders outside of Cardinal Capital with a 3.4% weighting.

Hawk Vision:



Hawk's Perspective: SIMO looks attractive and seems like more of an \$80-\$100 stock, not the most liquid options but like owning shares.

Confidence Ranking: \$\$