



Skyworks Bulls Buy into Pullback, Potential Broadcom Catalyst

Ticker/Price: SWKS \$115

Analysis:

SkyWorks (SWKS) buyers of 1,000 March \$115 calls up to \$5.40, follows some bull flow yesterday with shares pulling back to the rising 50-MA. SWKS has seen buyers in the February 14th (W) \$118 calls multiple days this week while the March \$120 calls bought 2,000X on 1-27 for over \$900k and now 3,790 in OI. Shares have been in a strong trend since October and pulling back to the rising 50-day MA over the last week as well as the 23.6% Fibonacci retracement. A move back over \$120 targets a run at new highs and measured move to \$135. The \$20.57B company trades 15.25X earnings and 6.2X sales with a 1.5% yield. SWKS is guiding to 17% EPS growth in both FY21 and FY22 while revenue growing 11% and 14% behind strength in mobile and design wins with Xiaomi, Vivo, Oppo, and Samsung.

They also continue to win content share in the Apple iPhone ahead of the much-anticipated 5G model launch in September 2020. SWKS has been noted as a potential buyer for Broadcom's (AVGO) RF chip unit which could be worth \$10B, though a lot of doubt it sells for that high. Analysts have an average target for shares of \$118. Needham with a \$145 PT on 1-24 seeing sees its higher-margin broad market products ramping across the Wi-Fi, 5G infrastructure, and automotive sectors. The firm thinks SWKS can continue to see above-average margin growth in 2020. Craig Hallum positive with a \$140 PT positive on iPhone shipments and their Broad Markets business but they note the stock may take a pause until we get more clarity on the timeline to get to 53% gross margin target. Short interest is 3.6% and down from 5% in October. Hedge fund ownership fell 6.75% in Q3 with Vulcan Value and Carlson Capital notable holders.

Hawk Vision:



Hawk's Perspective: SWKS is a high-quality name that has pulled back to an ideal spot to trade against at the recent lows and 50-day MA.

Confidence Ranking: \$\$