



FEATURED OPTIONS RADAR REPORT



Bearish Put Buy in Tech Name Priced for Maximum Optimism

Ticker/Price: WOLF (\$78.6)

Analysis:

Wolfspeed (WOLF) on 5/20 with a large buy of 4500 September \$65 puts for \$5M and shares rallied the past week with Tech and the position is now down around 50% but with plenty of time and a name lacking any other real notable open interest. WOLF is down 35% YTD despite the 13% rally this week and remains below VWAPs off 2018 and 2020 lows. WOLF shares are approaching a prior breakdown level near \$83 that could serve as resistance and the longer-term chart shows potential to move back to a VPOC near \$50. WOLF is the product of the recent Cree spinoff and houses their SiC and GaN assets including bare wafers, epitaxial wafers, and GaN epitaxial layers on silicon carbide wafers. The company focuses on manufacturing products for RF, power and other applications which are being used more frequently in EV charging infrastructure, solar inverters, UPS, industrial power and more. WOLF has a market cap of \$8.5B and trades rich at 49X FY23 EBITDA and 9X FY23 EV/Sales with revenues seen growing 40%+ each of the next two years and profits also growing but operating with 35% gross margins and negative EBIT and FCF margins. WOLF has opened Mohawk Valley facility with a path to revenues ramping and margin improvement but a long duration type name. The total device opportunity pipeline has grown above \$25B as well, across over 9,000 potential products. There are concerns that several SiC materials customers are making some effort to in-source supply. SiC demand is expected to outpace supply for the next several years driven by the electric vehicle megatrend and broader shift toward energy efficiency. Analysts have an average target of \$112 and short interest is elevated at 7% of the float. OpCo upgraded shares to Outperform this week with a \$105 target positive on its defensible technology. Deutsche Bank reduced its target to \$90 noting China lockdown impacts and the move from cash burn to cash flow keeps getting pushed out.

Hawk Vision:



Hawk's Perspective: WOLF feels like a solid short with a lot of hype but not much to show for it and think as ates rise FCF remains favored in this market and under \$72 this can start rolling right back to new lows.

Confidence Ranking: \$\$