



## Avalara Attracts Unusual Call Buying

**Ticker/Price:** AVLR (\$72.15)

### Analysis:

**Avalara (AVLR)** with 950 June \$75 calls up to \$2.40 to open in the afternoon and later buyers adding up to 1,400 on the day. AVLR has a lot of call open interest in the May calls which may adjust with expiration today and also some small November \$60 calls from buyers in April. Shares gapped out of a narrow multi-month range recently on earnings riding the 8-EMA recently with new highs above \$75 in focus. Shares have a measured move out to \$90 from the nearly year-long post-earnings range. The \$5.12B company trades 15.9X EV/sales and 35X cash with revenue growth forecasts of 22.8% and 28.8% through FY21. AVLR is a cloud-based software which focuses on automated tax compliance for both e-commerce and International retailers. Their suite of services include determining taxability and rates of products by region, collecting taxes, preparing and filing returns, and maintaining records and compliance documents. They integrate across a number of platforms like NetSuite, Workday, and SAP which allows businesses to seamlessly integrate AVLR into their workflow. There's a big market for their services as well. They see an \$8B TAM in the US alone with over \$377B of sales taxes collected in the US and over \$445B of other transaction taxes. They see \$1T in B2C cross-border e-commerce by 2020. Another positive driver is the recent SCOTUS ruling on tax obligations for remote sellers (SD vs Wayfair). Avalara has a Tax Advisory Services to help firms stay compliant. Analysts have an average target for shares of \$61 with 6 buy ratings and 1 hold ratings. Needham raising their PT to \$85 on 5/10. The firm came away from the recent Investor Day believing AVLR is the next CNQR, a platform that the firm thinks will dominate a financial use-case (tax mgmt. vs expense mgmt.) over the next decade. The firm's biggest takeaway was on how Ecommerce and Marketplace partners can massively extend Avalara's sales reach followed by why this opportunity is a multi-year journey and not a sprint. Short interest is 3.5%. Institutional ownership fell 16.5%. SageView Capital with 15.4M shares. Alkeon and Timesquare also buyers of new stakes.

### Hawk Vision:



**Trading Strategy:** AVLR is extended near-term but clearly a compelling long term name to own as Software valuations continue to rise with the 3-5 year outlook seeing plenty of room for growth.

**Confidence Ranking:** \$\$