



## Large Call buy in Upwork after Weak Post-IPO Trading

**Ticker/Price:** UPWK (\$16.35)

### Analysis:

**Upwork (UPWK)** with buyers of more than 4,250 October \$15 calls yesterday for \$2.40 to \$2.50 to open, a sizable trade in the name which has been popular with put sales since dropping on May earnings. The October \$15 puts have been sold 11,500X and the \$12.50 puts over 13,750X which remain in OI. The January \$12.50 puts sold to open 17,500X. Shares have been basing since May under a small volume gap which measures back to \$19.50. A move above last week's range clears a downtrend as well from the February highs and potential for a trend change. The \$1.74B company trades 14.3X cash and 6.4X EV/sales with 19.9% and 20.5% revenue growth expected over the next two years. UPWK is in the earliest stages of profitability expected to earn \$0.15/share in FY21, up from a \$0.02 loss this year. UPWK is a leading online freelancing platform with a significant share advantage to peers and long runway for growth within the \$322B TAM. The company continues to grow at a double-digit rate with GSV up 21% and client-spend retention up 107%. Analysts have an average target for shares of \$23 with 6 buy ratings and 1 hold. Jefferies upgrading to Buy on 6-26 with a \$23 PT. The firm thinks the revenue growth rate in Q1 likely marks the bottom for the company and the firm expects gradual acceleration throughout this year. Additionally, the recent IPO of Fiverr (FVRR) highlighted the large market for flex labor, within which Upwork has leadership position. Cantor started at Overweight on 6-19. They have a \$19 PT and expect increasing market penetration, a "unique" technology platform, and improving margin to drive multiple expansion in the shares. Short interest is 3.8% but rising from around 1.2% in May. Hedge Fund ownership fell 22.5% in Q1 largely due to Citadel selling 1.17M shares. Summit Partners a new stake while Dragonair and Hudson Bay Capital two notable holders.

### Hawk Vision:



**Hawk's Perspective:** UPWK feels like a strong theme play for the new economy and the put sales gave us a strong entry point at \$15. It is still a show-me story at this point and have to compare results with new peer FVRR.

**Confidence Ranking:** \$\$