



Large Call Buyer in Avalara

Ticker/Price: AVLR (\$85.50)

Analysis:

Avalara (AVLR) with 1000 November \$80 calls opening \$13.30 in an unusual large trade for the name. The \$6.25B software company offers cloud-based solutions for tax compliance and trades 16X EV/Sales with revenue growth of 27% in 2018 and 34% expected in 2019. 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. Shares are in a strong uptrend with a recent pullback holding strong at the rising 13 week EMA and this week held the 8 week level and now looking to work out of a range to new highs. Analysts have an average target just over \$100 and short interest fairly low for a high valuation name at 3.8% of the float. Stephens started coverage at Overweight with a \$105 target in late July noting the company is leading a transformation in the way transaction taxes are calculated and remitted. Stifel raised to Buy with a \$100 target after the latest quarter citing accelerating revenue, billings, and customer count growth, as well as net revenue retention improving to 111%. Hedge Fund ownership was down 19% in Q2 filings, a notable new position for Whale Rock.

Hawk Vision:



Hawk's Perspective: AVLR valuation is a bit rich but I love these niche software growth names and look for its momentum to continue to \$100+ per share.

Confidence Ranking: \$\$