



Sonos New Product, Partnership Ramp Draws Bullish Bets

Ticker/Price: SONO (\$13.8)

Analysis:

Sonos (SONO) with buyers of 5,000 October \$15 calls right off the open for \$0.55 to \$0.60 and now volumes over 15,000 in the first 45 minutes. SONO also seeing 1,000 April \$15 calls bought up to \$1.85 and follows buyers on 8-12 in the Sept. \$12.50 calls and the October \$12.50 calls. SONO shares have been strong recently and flagging above their rising 8-EMA with upside to \$16. SONO is working out of a long base which stretches back to late 2018 and potentially big trend shift after falling from around \$20 after its debut in July. The \$1.46B company trades 72X earnings, 1.18X sales, and 14.3X FCF with estimate for 22.5% and 30% EPS growth the next two years. SONO sees revenues growing 9-10%. SONO is coming off a strong quarter with 25% revenue growth and notable initial demand from their Ikea partnership and the Symfonisk speakers. The company continues to see growth in smart speakers as Google Assistant continues to ramp. Their core products like Beam and wireless speakers remain strong, up double digits. They've had some tariff concerns but moving their supply chain out of China to mitigate the immediate impact. Analysts have an average target for shares of \$17. Raymond James upgrading to Strong Buy on 8-19 with a \$19 PT. The firm sees a "free option" on Sonos' product roadmap over the next few quarters as the company scales beyond its existing markets. The firm thinks recent IKEA partnership checks have been strong and it could prime the pump for future Sonos purchases. The analyst anticipates a product announcement in late August that will further scale Sonos "outside the home." Short interest is 10.6% and up from 8.6% in July. Hedge fund ownership fell 3.9%. Hawk Ridge Capital, Portolan Capital, and Bloom Tree are notable holders.

Hawk Vision:



Hawk's Perspective: SONO clearly has an expected near-term catalyst but I like the long-term story as they expand their reach. Short interest is high which makes me somewhat cautious but one to keep on the radar.

Confidence Ranking: \$\$