



Spotify Calls Buy into Weakness

Ticker/Price: SPOT (\$120.2)

Analysis:

Spotify (SPOT) lagging lately seeing 1000 November 1st (W) \$122 calls bought aggressively in a sweep \$5.80, and not a lot of open interest near-term with bullish positioning in January 2021 options the only notable positions. SPOT put in a lower high in early August and has been selling off, now back to the May lows as potential support here near \$135, and also an area shares broke out of a bottoming base to start 2019. The \$22.35B music and podcast streaming leader trades 2.7X EV/Sales and 60X FCF. SPOT sees revenues growing 24% in FY20 after 20.8% growth in FY19 and expects profitability in FY21. It will next report in late October and coming off a quarter where it missed on EPS with MAUs growing 29% Y/Y and Premium Subscribers growing 31%, but below the mid-point of its guidance. It sees downward pressure on ARPU starting to moderate. The Information reported in August a potential truce nearing with Apple to allow Siri to play Spotify. SPOT has been active with acquisitions this year as it invests in the growing Podcast space. Analysts have an average target of \$152 on shares with short interest hitting new highs at 6% of the float. Stifel was out 8-23 with a \$175 target seeing some near-term headwinds from the extended free trial period but fueling faster subscriber growth in 2020 and beyond. SunTrust raised its target to \$172 following earnings as MAU beat estimates handily as well as other strong listener metrics, also positive on label negotiations and improving margins. Hedge Fund ownership fell 18.55% in Q2 filings, new notable positions for Suvretta, Samlyn, Eminence and Tremblant.

Hawk Vision:



Hawk's Perspective: SPOT needs to show some better price action and potential to put in a hammer to trade against this week.

Confidence Ranking: \$\$