



## Large Call Purchase in CoStar Group Sees New Highs Over 6 Months

**Ticker/Price:** CSGP (\$585)

### Analysis:

**CoStar Group (CSGP)** unusual late day action with 650 July \$590 calls bought \$49.50 up to \$62 with a major rise in option prices in a short-span and becomes the only notable open interest in the name. CSGP shares are in a multi-week consolidation after peaking in July/August and above \$600 can start another trend run with \$760 a first extension target. The \$21.6B Company has long been a top fundamental favorite as it has disrupted the commercial real estate industry with its information, analytics and online marketplaces. Shares trade 57.2X Earnings, 14.4X EV/Sales, and 52.5X FCF. Revenues have growth 15% and 23.5% the last two years with 16.5% growth seen as FY19 comes to a close and 19% growth forecasted for 2020. CSGP sees sales improving as it continues to increase the size of its sales force and sees a massive addressable market, also closed a deal for STR for \$450M this year. Its LoopNet product is disrupting the Office building industry and is a dominant player in this growing online real estate market. CSGP is also seeing strong growth via Apartments.com. Analysts have an average target of \$642 on shares and short interest is minimal at 1.4% of the float. Needham lowered its target to \$600 in October noting acquisition and integration as well as marketing investment spend to boost market share will pressure EBITDA margins in FY20. B. Riley raised its target to \$640 noting the STR acquisition will allow the company to continue to grow revenue at an industry-leading rate for another three years. Hedge Fund ownership rose 5.55% in Q3 filings, Melvin Capital adding to its position while BAMCO sold a small percent of shares and remains its top position.

### Hawk Vision:



**Hawk's Perspective:** CSGP remains a fantastic growth name and although valuation remains steep it has a ton of opportunity to continue to grow, and near-term above \$600 can trigger a bullish move to new highs.

**Confidence Ranking:** \$\$