



CrowdStrike Trades Bullish into Earnings

Ticker/Price: CRWD (\$46.75)

Analysis:

Crowd-Strike (CRWD) will report earnings 3-19 after the close and has been seeing a lot of options positioning ahead of the event. CRWD shares have closed lower its last two reports after being higher its initial report last July with an average max move around 12% and currently options pricing in a move of 10.5%. On 3/10 CRWD saw three bullish trades with 2000 March \$40 calls bought for \$1.45M, and 1000 each of the September and December \$40 puts sold to open. The put sale strategy has been a popular one in the name and seen in January \$37.50, December \$47.50, April \$52.50, September \$60, March \$47.50, April \$47.50 and other strikes in size lots. CRWD has plenty of call open interest bought in April and June as well. Shares got off to a promising start in 2020 and nearly broke out of a key weekly base but now returning to the post-IPO lows and low end of its multi-month range. The \$10.7B company is disrupting the \$7B endpoint security market as they build out their product portfolio from core detection and response capabilities to IT hygiene, vulnerability management, and more. CRWD valuation remains steep at 27X EV/Sales with robust growth of 110% on the topline in 2019 and 87% growth in 2020 seen followed by 45% growth in 2021. CRWD has been posting impressive metrics including customer adds as well as expanding margins. CRWD is the first cloud-native SaaS Endpoint security platform and seeing 98% subscription growth and dollar-base net retention rates above 120%. It estimates its total addressable market for 2021 at \$29.2B with a 9% two year CAGR. It has a long-term target of 20% operating margins. Analysts have an average target of \$79 and short interest is elevated at 19% of the float but down 55% Q/Q. DA Davidson upgraded to Buy in February noting CRWD is benefitting from the Broadcom (AVGO) acquisition of Symantec (SYMC) and survey shows improving demand, and sees Q4 estimates conservative. On 2/13 Mizuho raised its target to \$85 on highly favorable checks showing strong product demand and expecting upside to the quarter. Needham called CRWD its single best idea in security for 2020 as the core platform for security moving forward. Hedge Fund ownership fell 2.87% in Q4 filings.

Hawk Vision:



Hawk's Perspective: CRWD is an elite growth story back at lows and though valuation remains very rich, and a tough environment for that, the put sales show confidence. I think either bull put spreads or upside calendar or butterfly spreads set up well for earnings.

Confidence Ranking: \$\$