



## Dropbox Bulls See Limited Downside to Undervalued Shares

Ticker/Price: DBX (\$19)

### Analysis:

**DropBox (DBX)** opening sales 950 October \$19 puts at \$2.70 this morning and volume approaching 3000X on the day with the latest sales at \$2.65. DBX still has large size call buys in July \$20 and \$21 strikes for 17,000X combined, positions that opened 2/7 and 2/13. Shares jumped sharply last quarter on earnings with a strong outlook as new management turns the company around and has aggressive plans for margin expansion, also launching its smart workspace and should see a major opportunity from the work from home movement, including its HelloSign product which competes with DocuSign (DOCU). Paying users ended 2019 at 14.3 mln, up from 12.7 mln at the end of 2018. Average revenue per paying user was \$125.00 vs \$119.61 for the same period last year. DBX also announced a \$600M buyback. DBX shares have been sideways in a narrow range the last two months and sit just under the 200 MA currently, looking to clear \$19.65 for a run to \$25 or higher. The \$7.95B collaboration platform provider trades 3.7X FY20 EV/Sales with a lot of cash and little debt. Analysts have an average target near \$28 and short interest at 4.6% of the float has fallen 25% Q/Q. DBX will next report in early May. Goldman cut shares to Sell with a \$17 target on 3/26 citing outsized exposure to small and midsize customers with risk of increased churn in the installed base with lower cost alternatives from Microsoft One-Drive. Canaccord sees shares undervalued and has a \$30 target with fundamental execution improving, and Deutsche Bank also with a \$30 target on a thesis-changing Q4 with strong operating margin and FCF guidance. Hedge Fund ownership rose 4% in Q4 filings, Salesforce (CRM) has an \$88M stake.

### Hawk Vision:



**Hawk's Perspective:** DBX is a stock I am liking more in 2020 and looks ready to clear this 200 MA and leave this long sideways range behind, name I own for the longer term potential.

Confidence Ranking: \$\$