



Bullish Box Call Buyer Sees Potential Trend Inflection

Ticker/Price: BOX (\$16.75)

Analysis:

Box (BOX) unusual large buy of 2500 September \$17 calls for \$2.10 on 5/7, a name lacking much open interest though 1100 September \$18 puts sold to open on 4/17. BOX also has 7800 January \$10 puts in open interest from early March that may have been stock hedges. BOX was a strong trend name 2016-2018 and then pulled back to retest a base breakout form 2016 earlier this year, but now shares starting to emerge out of a monthly falling wedge pattern with a trend inflection. BOX sees significant opportunity in CCM with a \$40B TAM and nearly 96% recurring revenue while adding partnerships with other leaders like Amazon and IBM over the last two years have broadened their customer base. The company is seeing strong growth for add-on products like Governance, Keysafe, and Zones while expanding strategic partnerships. On 5/7 BOX announced its new Collections experience which also integrates Zoom (ZM). BOX currently carries a market cap of \$2.5B and trades 3.5X EV/Sales which is well below software peers but it has struggled to maintain growth, though 14.4% topline growth in 2020 and 119% EBITDA growth with 9.5%/70% seen in FY21 respectively. BOX has been a name in focus recently with activist Starboard taking a stake and drawing attention to the company's lack of growth. The firm thinks BOX needs to find better balance between growth and profitability as they are having problems with a model transition towards more software products and away from data-storage products and may be attractive in a sale, although not Starboard's preferred avenue. On 3/23 it was announced that 3 independent directors are joining the board. BOX should benefit from the recent work from home move with it positioned well in the \$45B content and collaboration market as ECM workloads moving to the cloud and offering an end-to-end CCM portfolio and Suites. Analysts have an average target of \$17.75 with shares interest at 5.2% of the float, rising 19% Q/Q. Berenberg upgraded shares to Buy on 3/25 and MSCO upgraded to Overweight on 3/25. Hedge Fund ownership was relatively flat in Q4 filings, Starboard adding to its position.

Hawk Vision:



Hawk's Perspective: BOX valuation looks compelling especially considering the work from home boost it should start to see, a name that could eventually be a M&A target.

Confidence Ranking: \$\$