



Upwork Bulls See Long-Term Impact from Coronavirus Shift to Remote Work

Ticker/Price: UPWK \$14.66

Analysis:

Upwork (UPWK) seeing 2350 August \$17.50 call sweeps early \$1 to \$1.45 and volumes now running over 5,700X on the morning, around 7X average. UPWK has not seen a lot of notable flows lately, especially outside of July, but has seen some January stock overwrites into strength. Shares are working out of a multi-week consolidation today above \$14.50 after a big gap higher on earnings in May and short-term measured move up to \$17.50/\$18. Longer-term, UPWK broke a long downtrend that stretched back to its IPO in late 2018 and a move above \$16.50 puts it back above a big volume node from last year and room to move back to \$20. The \$1.66B company trades 5.25X sales and 11.5X cash with profitability hitting break-even in FY21. UPWK is guiding to mid-teens revenue growth and COVID-19 likely drawing more near-term upside as employers look for flexible staffing solutions. UPWK has struggled since its debut and late 2019 saw their CEO step down less than 12 months after the IPO. But, the new c-suite has shifted focus to gaining traction among larger firms and recently announced hiring partners like Microsoft and Nasdaq as well as a partnership with Glassdoor. They are coming off a big quarter with the global shift to remote work likely pulling forward a significant amount of new users to the platform and record website visitors in April and May. UPWK is an online marketplace which connects businesses with freelance professionals across end-markets like marketing, data analytics, graphic design, and mobile development. The company is benefitting from broader macro trends around skills shortages and a move towards more remote work environments. They see plenty of room to grow in the \$322B freelancing market. Analysts have an average target for shares of \$14. RBC noting in February that their new CEO has focused 2020 as an investment year with greater focus on bigger clients and long-term perspective towards user growth. Short interest is 3.4% and down from around 5.5% in January. Hedge fund ownership rose 4.7% in Q1. Hawk Ridge Capital a notable buyer of 4.2M shares in a new position. UPWK has also seen insiders active with a director adding \$5.4M in stock in May at \$9.95 and two other, separate \$1M buys in March at \$8.

Hawk Vision:



Hawk's Perspective: FVRR has been the better performer in the space and prefer to stick with the momentum/growth name but **UPWK** worth a look as sentiment shifts and you can ride of the choppiness of a new CEO and their new direction being executed

Confidence Ranking: \$\$