



## FEATURED OPTIONS RADAR REPORT



### Avalara Adjustment Stays Bullish a Top Tech Name

**Ticker/Price:** AVLR (\$125)

#### Analysis:

**Avalara (AVLR)** with 500 November \$120 calls opening for \$19.76, adjusting back some November \$140 calls from late June, and name which has seen buyers recently in the January \$190 calls and August \$135 calls. Shares are pulling back off of all-time highs this week with 23.6% Fibonacci of the recent rally at today's lows around \$123.25. AVLR has trend support down around \$120 and longer-term channel target above of \$150+. The \$10.23B company trades 22.5X cash and 23X EV/sales with a big runway for growth and expectations for 25% annual revenue growth in both FY21 and FY22. AVLR is a top niche software play with a focus on automated tax compliance for businesses. The company's product lineup integrates across a number of leading platforms and capitalizing on the explosion in e-commerce sales with the company seeing potential for \$1T in B2C cross-border volumes this year. AVLR held an analyst day in late June where they laid out plans to grow their market opportunity by expanding into areas like compliance for document management, broader business licensing, insurance tax, 1099s, W-9s and more. They continue to see a very low churn rate and customer growth should be significant as COVID-19 moves more small- and mid-sized businesses online where they are may be paying intra-state taxes for the first time. The company also notes COVID-19 is forcing more businesses to find efficiencies to cut costs and their automated offering can accelerate that push. Analysts have an average target for shares of \$118.50 but Goldman at a Street High \$154 and a slew of \$150 PT since mid-June's analyst day. The former notes that AVLR laid out an ambitious roadmap for a broader suite of compliance-as-a-service products and the scope of their actual TAM is far larger than previously expected. Needham positive on 6-24 as AVLR is taking great advantage of secular tailwinds around e-commerce acceleration, cloud adoption, and a more favorable regulatory enforcement. Short interest is 7.1% and recently moved to its highest level since debuting in 2018. Hedge fund ownership fell 5% in Q1. Alkeon Capital adding to their stake.

#### Hawk Vision:



**Hawk's Perspective:** AVLR bounced at the rising 34 EMA like many of these momentum sell-off names. It is one of the great Software stories and continue to like its future potential.

**Confidence Ranking:** \$\$