



FEATURED OPTIONS RADAR REPORT



Upside Call Buyers into Alarm.com Weakness

Ticker/Price: ALRM (\$58)

Analysis:

Alarm (ALRM) stock and IV ramping with 1500 September \$60 calls bought \$1.95 to \$2.35 to open. ALRM has 1000 September \$62.5 calls in OI bought on 8/7 but overall little open interest. ALRM shares are back to a key low from August when it sold off on news of the Google/ADT partnership/stake and holding a nice rounded base on its rising 144 day MA. The \$2.83B company trades 35.3X Earnings, 5X EV/Sales and 55X FCF. ALRM forecasts see revenue growth of 11% this year and 7.5% in 2021, so not a high growth name, but profitable with solid FCF margins and a 30%+ ROIC. ALRM is a leading platform for the connected home and business, a cloud based (SaaS) operating system which enables service providers and their subscribers to intelligently manage and control their residential and commercial properties with highly advanced IoT technology solutions. It has 6.8M subscribers and 100M connected devices on its platform. The global smart security market is seen having a 20%+ CAGR the next few years. Analysts have an average target of \$67.50 and short interest at 10.3% of the float trending lower nearing a two-year low. Blair downgraded shares 8/3 on the ADT/GOOG overhang, though noting it is not a material impact to ALRM as it would be hard for ADT to move 3M subscribers to another platform. ADT is ALRM's largest customer at 15-20% of revenues and a master agreement through 2022 and Ray-Jay sees little impact beyond hardware. Northland raised its target to \$72 in July on positive industry checks and stable pricing with improving demand trends. Hedge Fund ownership rose 10.6% in Q2 filings, Brown Capital increasing a large position.

Hawk Vision:



Hawk's Perspective: ALRM has a clear line in the sand to trade against that big down day low, so reward/risk looks favorable here for what may have been an overblown reaction.

Confidence Ranking: \$\$