



Zillow Spreads See Continued Strength into Year-End

Ticker/Price: Z \$82.83

Analysis:

Zillow (Z) bullish spread on 8/25 bought the January \$80/\$100 call spread 2,000X3,000 and sold the \$65 puts 2,000X to open, willing buyer of stock on a pullback to the recent breakout spot but seeing upside into year-end. Z has seen buyers in the January 2022 \$120 calls, February \$80 calls, and size put sales in the January 2022 \$70 puts recently while the ZG line has seen buyers in size in the February \$80 calls over 2,500X for \$12. Zillow has traded well since March with demand for home buying surging during the pandemic and traffic back above pre-March levels quickly. Shares bounced off the 10-day moving average yesterday and above \$85 have room in the near-term to run up to \$100 with the post-earnings consolidation setting up. The \$13.3B company trades 5X sales and 5X cash with eyes on profitability by FY22 and near 50% revenue growth in FY21. Zillow is being boosted by record low mortgage rates with a near 30% revenue gain last quarter and strength in their nascent Offers business which was up 82%. Zillow said in August they expect to invest strategically in geographies where it makes sense grow the latter business and used the shutdown in March/April to refine their approach which will hopefully make them more cost-effective going forward. Analysts have an average target for shares of \$77 and Needham at a Street High \$110. Benchmark raised their PT to \$100 recently noting that the faster snap back in the real estate market, as well as the increased need for its services in a socially distanced world, are both "huge tailwinds" for Zillow, who remains well positioned to win in a continued tight home supply market. Short interest is 0.8%. Hedge fund ownership rose 5.44% in Q2. Eminence Capital with 2M shares and Jericho added a new 2.7M share position.

Hawk Vision:



Hawk's Perspective: Z continues to trade well and yesterday's low gives a nice short-term level to lean against looking for \$100

Confidence Ranking: \$\$