



FEATURED OPTIONS RADAR REPORT



Z-Scaler Bull Positions Accumulate

Ticker/Price: ZS (\$135.50)

Analysis:

Z-Scaler (ZS) with more than 545 May \$120 puts sold to open today from \$15.90 to \$15.45 and follows smaller, high-dollar sales in the May \$110 and May \$100 puts in the last week. ZS has also seen put sale across the September 2021 and January 2022 puts in size while call buyers active at the October 30th (W) \$135 strike and the November \$125 and \$135 calls in July. Shares are setting up well with a small base above the 55-MA and strong overall trend since March with a run above \$140 setting up for a re-test of new highs. The \$17.44B company trades 12.7X cash and 41.6X EV/sales, rich on valuation but benefitting from a sizable shift in demand due to the pandemic and executing better, especially around margins. ZS posted 55% billings growth in Q4 and they continue to see momentum in their cloud deals driven by an expanded sales staff where they've stepped up investments since early 2020. The company continues to see a big long-term opportunity in cloud security with a \$20B TAM and secular tailwinds from cloud, mobility, and IoT which all have seen increased importance with the more disparate work-force. They see a growing importance around IaaS and public cloud as the next big driver for them as well. The company was at the Deutsche Bank tech conference earlier this month and noted that they've got a number of new products set for debut including services around Cloud Security Posture Management and Cloud Access Security Brokers which will give them further upsell potential around their core ZIA and ZPA platforms. Analysts have an average target for shares of \$125 and Loop Capital a Street High \$170 noting on 9/10 that the market is coming to Zscaler and the company's increased sales capacity positions it to take advantage of this positive demand trend. Needham with a \$165 PT as they think ZS has the means to increase sales capacity in FY21 at a pace higher than revenue growth even as it expands its margins. Short interest is 6% and down from around 11.5% in January 2019. Hedge fund ownership rose 13% in Q2, ARK Investment adding to their position.

Hawk Vision:



Hawk's Perspective: ZS consistently sees bull flow and has a strong trend basing, so it is a name I like though CRWD has been the favorite growth cloud security name and QLYS for a better value for growth name. There is likely plenty of room for multiple winners in this group and a break above \$140 for ZS can spark a rally.

Confidence Ranking: \$\$