



FEATURED OPTIONS RADAR REPORT



Pure Storage Seen Working Higher as Business Transforms

Ticker/Price: PSTG (\$16.30)

Analysis:

Pure Storage (PSTG) shares moving sharp today and 1,250 January \$15 calls bought \$2.65/\$2.70 to open and now volumes over 2,850X. PSTG recently had buyers in the October \$17.50 calls January \$17.50 calls, and November \$15 short puts while over 20,000 of the OTM January \$20 calls have been accumulating as well from buys. Shares are working out of a multi-week base today and back above its key moving average clusters with a low-volume gap back to \$17.50. PSTG has been a longer-term laggard but big potential for a trend shift above \$18.50 and out of a two year downtrend. The \$4.24B company trades 3.28X cash and 2.2X EV/sales with accelerating top and bottom-line growth. PSTG is coming off a messy quarter but part of a greater transition into subscription model and Storage-as-a-Service (STaaS) leadership. They noted that their pipeline continues to expand with a number of deals in earlier stages due to COVID slowing some spending at the start of the year, so expected to finish strong. PSTG sees huge opportunity in the shift from on-premises to cloud with the latter in the early innings of their overall mix shift and \$50B+ market. They've got new products launching including their Cloud Block Store which is driving higher sales for both new and existing customers. PSTG also said in August that FlashArray//C has been one of the fastest product launches they've ever had and sees momentum carrying into 2021 as more IT spending focuses on cost-savings. PSTG announced a deal for Portworx for \$370M cash on 9/16. It's their largest deal to date and gives them "deeper expansion into the fast-growing market for multi-cloud data services to support Kubernetes and containers." Analysts have an average target for shares of \$20 with Susquehanna Street High \$23. Northland positive in late August noting that they are positioned for ongoing growth of over 20% once the current capex downturn passes. Lake Street positive earlier this year citing their transition into a subscription model. The firm thinks they can keep up 30%+ services revenue growth for some time. Short interest is 6.5%. Hedge fund ownership rose 2.5% in Q2. Eminence Capital a top holder while ARK Investment also with over 11M shares and adding 6.8M last quarter.

Hawk Vision:



Hawk's Perspective: PSTG has long been a name I have seen as a healthier play in a tough storage industry and likely M&A target but has traded relatively poorly. It has a nice set-up versus \$15.

Confidence Ranking: \$\$