



## FEATURED OPTIONS RADAR REPORT



### Vonage Unusual Call Accumulation as Relative Unknown in Strong Growing Markets

**Ticker/Price:** VG (\$11)

#### Analysis:

**Vonage (VG)** bullish activity accumulating recently, a buyer of 3000 January \$12 calls for \$0.85 to start the week on 10/12 which follows recent accumulation of 10,900 December \$11 calls and 7,670 December \$12 calls. VG shares traded down near \$4 in March and up to \$13 in August, recently pulling back and basing right at the 38.2% retracement and working out of a downtrend and its base since last week. The \$2.55B provider of cloud communication services also saw the CEO buy \$400,000 worth of stock in August at \$11.29 and \$11.83. VG currently trades 68.65X Earnings, 2.5X FY21 EV/Sales and 29.1X FCF with revenue growth seen accelerating each quarter in 2021, the company has transformed itself to a leading UCaaS play. VG sees itself positioned across massive TAM estimates for 2022 with UCaaS at \$50B, CCaaS at \$11B and CPaaS at \$18B as the addressable market for cloud communications is growing rapidly. VG has been gaining traction in the mid-market and enterprise with strong bookings growth. Analysts have an average target of \$14 and short interest is at 6.3% of the float. MSCO downgraded shares to Neutral in August as the impending completion of a strategic review of the company's Consumer business has helped to ease leverage-related concerns and show increased appreciation for the Business segment. MSCO remains optimistic on Vonage's ability to appreciate through the eventual realization of these opportunities, but says the built out of a channel on the Applications side and focus on higher margin business on the Communications Platform as a Service API side likely pauses multiple expansion in the near-term. Stephens with an interesting note in June when Agora (API) came public noting VG became the global leader in video API outside of China following its TokBox acquisition. Hedge Fund ownership rose 1.3% in Q2 filings, Rubric Capital taking a new 2.75% weighted position and Alta Park adding to its position.

#### Hawk Vision:



**Hawk's Perspective:** VG looks great versus the recent base and seems intriguing as a name that could see major multiple expansion as it positions well in key growth markets.

**Confidence Ranking:** \$\$