



FEATURED OPTIONS RADAR REPORT



Cloudflare Bulls Position for New Highs

Ticker/Price: NET (\$41.75)

Analysis:

Cloudflare (NET) with large buy orders on 10/2 of 2500 November \$41 calls at \$5.20 and traded more than 3500 on the day. NET saw October \$37 calls open 5000X on 9/10 and has plenty of bullish positioning in January call open interest and a buy-write in July used 1000 February \$55 calls. NET shares have gained after testing the 21-week MA four weeks ago and now back near highs and a breakout of its long consolidation range which would target a run to \$50 or higher. The \$12.3B provider of cloud network services trades 22.5X FY21 EV/Sales with revenues rising 42.8% and 49% the last two years and seen growing 41.5% this year. The Network-as-a-Service industry is an estimated \$47B TAM while Enhanced Enterprise & Expansion a \$66B TAM. It estimates its current TAM at \$32B. NET has posted a 65% CAGR in large customer growth since 2018, and has competitive advantages to the On-Premise, Point Solutions, and Public Cloud providers. It sees incremental growth opportunities in Serverless, IoT, 5G and Remote Work. NET's long-term model sees 20%+ operating margins, currently at (10%). Analysts have an average target of \$46 with short interest low at 4.5% of the float. On 7/28 Jefferies raised to Buy with a \$50 target noting it is disrupting legacy network and web security vendors with its unique cloud-based technology architecture and freemium model. OpCo raised its target to \$50 after results and sees TAM expanding to above \$50B while recent product launches providing long-term tailwinds, high VPN product profitability that could translate into faster than expected positive cash flow, and Cloudflare's Workers product, which is gaining momentum. Hedge Fund ownership fell nearly 35% in Q2 filings, Gilder Gagnon Howe a notable buyer. NET will next report results in early November.

Hawk Vision:



Hawk's Perspective: NET remains a favorite name in Tech and see it having upside to \$55 over the next few months, a quality name in Tech.

Confidence Ranking: \$\$