



FEATURED OPTIONS RADAR REPORT



Snowflake Put Sales See Limited Downside Despite Sky-High Valuation

Ticker/Price: SNOW (\$263)

Analysis:

Snowflake (SNOW) with 400 February \$225 puts sold to open this morning from \$15.80 to \$15.60 and now volume over 1,000X on the day. SNOW has a lot of November positioning expiring tomorrow but has had size sellers in the February \$230 puts and Jan. 2022 \$235 puts recently while buyers of the February \$300 calls from October remain in OI, a more than \$3M position. Shares have been largely rangebound since its debut in September but gaining some momentum this week back above its 8- and 21-day while a move above October value at \$268 could start a nice run out of this range. SNOW has upside to \$325. The \$72.2B company trades rich at 96X EV/sales but sees revenues more-than-tripling in the next two years from \$570M to \$1.75B. SNOW is a leading cloud-based data-warehousing company and well-established in the space with Gartner estimating a 10% market share, third best in the world behind SAP and Apache Hive. SNOW has set itself apart from peers as their software is platform agnostic and can be run on AWS, Azure, and Google's cloud, giving them a distinct advantage in a market growing rapidly. Gartner estimates that 75% of all databases will be in the cloud by 2022 and hybrid strategies likely more accelerated while IDC sees the revenue opportunity in storage doubling by 2023 to over \$180B. Analysts have an average target for shares of \$265 and Truist Financial a Street High \$350 as SNOW is addressing an acute problem and redefining the monetization of data, as "legacy providers are unable to deal with complex IT environments." Deutsche Bank with a \$305 PT and long runway for growth as SNOW is in the sweet spot of two major secular trends: data-driven decision making and cloud adoption. DA Davidson sees a lot of room for new client adds and expansion as the SNOW platform is simply easier to use than peers and offers more unique data-sharing applications. Short interest is 1.9%. SNOW has some notable institutional holders including Berkshire Hathaway, Salesforce.com, Coatue, Dragoneer, and Sands Capital, many pre-IPO investors. Tiger Global, Lone Pine, Viking Global, and Third Point all buyers in Q3. Sequoia Capital is on the board.

Hawk Vision:



Hawk's Perspective: SNOW recently provided a nice candle versus support and is sure to be a wild trading name, but can see the major investors are notable and believe in the long term upside story.

Confidence Ranking: \$\$