



## FEATURED OPTIONS RADAR REPORT



### Dropbox Calls Bought as Undervalued Tech Growth Name

**Ticker/Price:** DBX (\$19.10)

#### Analysis:

**Dropbox (DBX)** traded 4X daily calls on 11/23 as April \$21 calls were bought 12,000X at \$1.24 to \$1.32 and follows a recent surge in puts sales with January 2023 \$15 short puts accumulating 6500X and also opening sellers of April \$19 and \$18 puts. DBX also has plenty of January 2021 call open interest and December \$19 calls recently with 3500X opening, a clear surge in activity the last two weeks. DBX's 30-day IV skew is bullishly inverted. DBX has been one of the least successful Tech IPOs and peaked in 2018, while the \$17/\$24 range forming a large support base currently, and the daily with a falling wedge needing to clear \$20 to target a run at a break above that key \$24 level and inflect out of a long-term downtrend. The \$7.85B collaboration software company is expanding its reach launching a smart workspace and also owns HelloSign which competes with DocuSign (DOCU). DOCU is undergoing changes under new management that is focusing on margin expansion, and successfully thus far. DBX has more than 600M registered users and operates an open ecosystem allowing for linked third-party applications. DBX is working on transitioning more users to paid memberships, upselling current members and expanding products such as its Vault, Backup and Passwords products. DBX shares trade 19.4X Earnings, 3.6X EV/Sales and 15.9X FCF with revenues see rising 15% in 2020 and 11% in 2021 while EBITDA up 50% in 2020 and 18% in 2021. DBX currently has 12% operating margins with a long-term outlook of 28-30%. DBX sees itself doubling FCF by 2024, a CAGR of 20% and wants to allocate capital to M&A. Analysts have an average target of \$26 and short interest at 9% of the float is near a new high. JPM out on 11/6 calling shares undervalued and has a \$29 target and Overweight rating. Jefferies upgraded shares to Buy in July with a \$28 target as a work from home beneficiary with impressive top-of-funnel metrics and proving it can deliver on its margin goals. Hedge Fund ownership fell 5% in the latest quarter.

#### Hawk Vision:



**Hawk's Perspective:** DBX is a strong story the market continues to ignore and think its compelling with 12 points of upside and 4 points of downside here.

**Confidence Ranking:** \$\$