



FEATURED OPTIONS RADAR REPORT



Box Calls Bought into Earnings Weakness

Ticker/Price: BOX (\$17.2)

Analysis:

Box (BOX) with 2,500 March \$17 calls being bought to open today for \$2.05 to \$2.10 into the dip following earnings, shares right at the 50% point of the recent run. BOX has seen some December \$18 and \$20 calls bought into the report and longer-term has 3,000 January 2023 \$35 calls in OI from buyers on 11/6. Shares are down modestly on earnings and have been carving out a wide base since 2018 with a lot of room for upside and about 30% of potential upside above \$20. The \$2.85B company trades 3.8X EV/sales and 10.5X cash with high-single digit growth. BOX has been an execution story for the last two years as they look to improve profitability and rein in spending, gain momentum in Suite sales, and expand their customer base throughout the enterprise vertical. The company is coming off a strong quarter with 13% improvement in operating margins and tailwinds from a greater migration into the cloud due to COVID. BOX noted on their call last night they see themselves positioned well in a post-COVID world as well as a strong intermediary between collaboration apps like Slack, Salesforce, Teams, and Zoom. Analysts have an average target for shares of \$25 and Craig Hallum a Street High \$30. The firm thinks there remains upside to earnings and cash flow growth with expansion into enterprise. MSCO positive on 8/27 noting that BOX has a large, attractive \$55B market opportunity and a lot of room for runway with more achievable expectations. Short interest is 6.1%, pretty much flat with the 2-year average. Hedge fund ownership rose 7% in Q3, Starboard remains a top holder with 9.28M shares. The company has been activist on the name since 2019 and reached a deal to join the board in March. Starboard has pushing for improvements in margins but with the recent CRM/WORK deal, they could agitate for the company to consider a sale with potential buyers including IBM or ORCL.

Hawk Vision:



Hawk's Perspective: BOX is interesting at this valuation though do prefer DBX to it, the BOX story likely more a boom or bust as an event-driven buyout play, so would be a smaller speculative play.

Confidence Ranking: \$\$