



FEATURED OPTIONS RADAR REPORT



Unusual Call Buying in Rackspace as Multicloud Transformation in Focus

Ticker/Price: RXT (\$20.20)

Analysis:

Rackspace (RXT) early unusual buying 1665 February \$22.50 calls, above \$20.50 triggers a breakout. RXT Feb calls are now up over 3,050X and trading up to \$1.75 from early action at \$1.37 with IV30 rising 12.6%, and a name that has over 12,000 January \$20 calls in open interest from buyers. RXT since its IPO has formed a weekly cup and handle pattern that measures to a \$27 target on a breakout. The \$4B provider of cloud services trades 17.65X Earnings, 3X EV/Sales and forecasts looking for 8.4% revenue growth in 2021 and 43% EPS growth. RXT has reemerged since its LBO back to a public company with a more attractive growth focus, impressive 64% bookings growth, and less capital intensity. RXT estimates the market for multicloud services at a TAM of \$400B. Analysts have an average target of \$26.50. RXT announced in September it was working with Sell on new modernized solutions for multicloud. Citi raised its target to \$26 in September after a strong quarter, and Goldman has a \$38 target. JPM sees RXT as a show-me story due to the legacy stigma, but RXT looks faster, better and more profitable now. Deutsche Bank at a \$28 target noting company has made significant investments over the past several years in building out its platform of Rackspace Fabric solutions, which has quickly transformed the company and shifted the business mix toward a more partnership centric multi-cloud services approach. Boston Partners, Rubric Capital and Point-72 showed positions in Q3 filings.

Hawk Vision:



Hawk's Perspective: RXT January \$20 calls look pretty attractive for \$1.50, its \$4B market cap with key relationships seems way too small and could become a nice M&A target.

Confidence Ranking: \$\$