



FEATURED OPTIONS RADAR REPORT



Large Call Buy Sees Trend Reversing for Top Cloud Software Play

Ticker/Price: ADBE (\$438.50)

Analysis:

Adobe Systems (ADBE) buyer of 7500 May \$415 calls for \$50.55 to open today, similar to the Salesforce trade earlier in the session. ADBE has seen mixed flows recently but had a buyer of \$3M in July \$430 calls on Friday and a recent buyer of 1000 May \$520 calls for \$40.50 on 1/26, some of the first large bull trades in the name since December. Shares are back at the low-end of a big multi-month range from 2020/2021 that launched the recent move higher and just below the 50% retracement of the run from the pandemic lows. ADBE is well-below the February value range but a move back above the 8-EMA at \$460.80 could set up a short-term rally back to \$500. The \$213.85B company trades 11.5X EV/sales with mid-teens growth. The company sees themselves positioned well for the next 5-10 years as they build out several durable, diverse revenue streams. ADBE had a strong year in 2021 but under pressure recently as face tough comps and concerns that spending was pulled forward during the pandemic. ADBE has continued to see upside from Digital Media, especially after their deal for Frame.io which contributed a lot of momentum into year end. Their Creative Cloud business has also shown resiliency and at their Analyst Day in 2021 they outlined plans to grow share within the \$63B TAM which is growing steadily as their product reach targets more creative professionals than ever before. The company also sees a massive monetization opportunity in 2022 and beyond to shift more professionals who use PowerPoint over to Creative Cloud Express including students and creators. Analysts have an average target for shares of \$675 with a Street High \$820. Piper positive recently noting that their recent CIO Survey showed 86%-88% are planning to invest more in cloud applications and infrastructure in 2022 and the analyst thinks the best approach is to target the quality leaders like Adobe where fundamentals have decoupled from price action. Citi with a \$611 PT noting that Adobe is a 'show me' story now after two soft quarters with limited margin expansion but longer-term the company continues to face a compelling market opportunity. Short interest is 1.3%. Hedge fund ownership fell 6% last quarter. Castlevision Partners a buyer of a new 1.85M share position. In January, a director bought \$500K in stock at \$513.65, the first open market buy since 2018 and largest by an individual in over 15 years.

Hawk Vision:



Hawk's Perspective: ADBE is obviously in an ugly trend so I would like to see better price action to set up a better risk/reward entry but getting to an interesting valuation spot given their big market opportunity and leadership position

Confidence Ranking: \$\$