



FEATURED OPTIONS RADAR



Large Call Buys Position for Breakout in High Growth Software Solutions Name

Ticker/Price: APP (\$44.07)

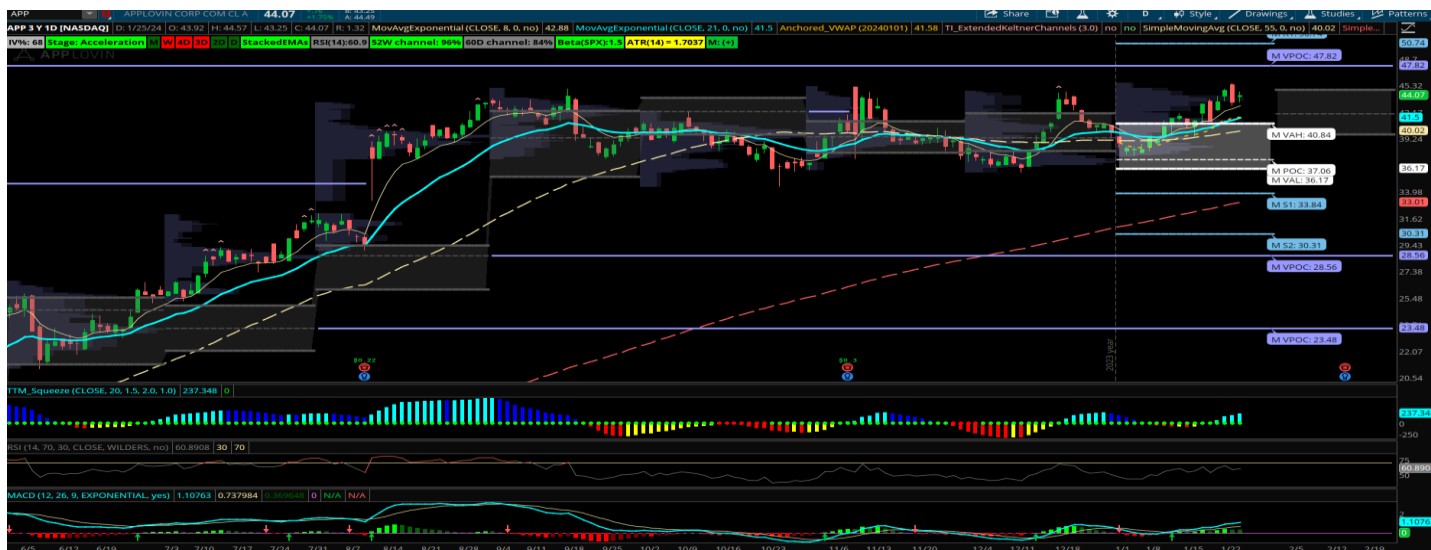
Analysis:

AppLovin (APP) has seen a lot of bullish flow the past few months as it consolidates in the recent range near highs and notably this week on 1/24 saw large aggressive buyers of 4000 April \$50 calls for \$2.75 to \$2.90 for over \$1.2M in total as IV30 jumped higher. This follows recent smaller buyers of 1500 March \$42.50 calls at \$3.75 as Febs adjusted and also on 1/16 a buyer of 320 July 2025 \$40 ITM calls at \$12.30 while earlier this month seeing action in the Jan 2025 \$60 calls buying at \$3.90. Last month also had opening put sales popular in May \$30 and \$25 puts selling to open over 2400x each. APP does not report earnings until Feb 14th so still some time but clearly a catalyst these flows are positioning for ahead of time with the potential to see a 'earnings run' breakout.

The \$26.6B company trades at 26.6x earnings, 4.6x sales, FCF yield of 8.6% with revenues expected to rise +16% in FY23 and growth estimated at +18% in FY24. The Company's software solution provides advanced tools for mobile application developers to develop their businesses by automating and optimizing the marketing and monetization of their applications. The key elements of its solutions are delivered through the AppLovin Core Technologies and AppLovin Software Platform. Last quarters quarter's record-breaking performance from APP was largely driven by the success of their new AI-based advertising technology, AXON 2, which has driven revenue and adjusted EBITDA above expectations. The CEO stated that advertisers on the platform are spending more dollars in a material way at better returns. And that is a model that just compounds on itself. Shares have been holding strong in a long sideways range for going on 5 months now near the 40-45 zone and has held above the gap up level from back in August when it gapped on earnings from 30. A volatile higher beta name but now with a coiled weekly chart and moving averages catching up to price a breakout above the top of yearly value area above 45 can surge higher to 55 or 60. Average analyst price target is \$51.

BTIG raised its target to \$51 and keeps a Buy rating this week saying channel checks suggest that AppLovin continues to capture budget share and beyond earnings they see further catalysts on deck such as the ongoing Google RTB transition, CTV and Array-driven expansion efforts, plus further equity-accretive capital allocation. HSBC initiated with a Buy rating and \$53.20 target saying as the market leader in mobile app install advertising with a lead in AI solutions, AppLovin is well-positioned to benefit from the budding recovery of the segment. Citi upped its target to \$56 from \$50 citing the company's strong growth prospects and robust free cash flow generation. Short interest is at 9.8%. Hedge fund ownership fell 11.5%. GQG Partners added 11 million shares last quarter and now owns 26M shares or about 9.8% of the company. Honeycomb Assets started a new stake of 474K shares.

Hawk Vision:



Hawk's Perspective: APP is coiled and can trigger a breakout above 45 soon with a lot of space above if growth names stay strong. The April \$50 calls at \$3.00 are a nice risk/reward here to tail the buyers this week for a squeeze higher.

Confidence Ranking: \$\$\$