



Put Sellers See Value in Emerging Mobile Ad Winner

Ticker/Price: APPS (\$57.3)

Analysis:

Digital Turbine (APPS) with notable trades on 8/12 as the March 2022 \$50 puts were sold to open 1850X at \$7.70, size premium. In mid-July we saw December \$50 puts sell to open for over \$1M and January \$50 calls have over 2500 in open interest from size buyers. APPS was a big winner in 2020 but shares are just +1.3% YTD and have pulled back more than 40% from Q1 highs. APPS is at an interesting spot on the chart, a 38.2% retracement of its wild parabolic run and retesting a key early 2021 flag breakout and major volume node, important to hold above this \$57 level or there is a volume pocket back to \$45. APPS' on-device media platform powers frictionless application and content discovery, user acquisition and engagement, operational efficiency, and monetization opportunities. APPS has note that it is on 600 million devices which is only 15% of the market opportunity while also seeing opportunity on other devices and screens. APPS discusses the mobile ad media market sized at \$300B where Facebook and Google dominate but sees \$50B-\$60B opportunity to penetrate. APPS has also been active with acquisitions including Appreciate, Fyber, and Ad-Colony to generate new recurring revenues and boost revenues per device. APPS has a market cap of \$5.5B and is trading 26X Earnings and 4.8X EV/Sales with revenues rising 126% in 2021 and seen rising 277% in 2022 while also seeing a strong trend higher in profits. AOS gross margins are around 42% in FY21 with 21.65% adjusted EBIT margins and 17% FCF margins. Analysts have an average target of \$105 and short interest is 3% of the float. Roth with a note on 7/6 noting recent weakness from Google announcing that beginning in August all new apps in the Play Store will be required to use the new bundle format and sees minimal impact to APPS with a \$115 target. Maxim raised its target to \$132 in June noting significant growth in new devices and revenue per device while the international story is in the early innings.

Hawk Vision:



Hawk's Perspective: APPS is an ugly chart but these trades showing \$50 as a willing level to own and shares do look attractive on valuation with all signs of business fundamentals remaining strong. APPS is building out a strong platform and likely being punished for all of its acquisitions, a small cap to keep an eye on.

Confidence Ranking: \$\$