



FEATURED OPTIONS RADAR REPORT



Coinbase Bulls Position for Upside as Bottom Forms

Ticker/Price: COIN (\$239.10)

Analysis:

Coinbase (COIN) started the week with some notable trades as 1000 September \$255 calls bought \$19.60 to \$20 to open and also some buying in August \$270 calls. COIN on 6/11 had a seller of 1000 September \$240/\$210 strangles while back on 6/1 the January 2023 \$270/\$330 call spreads bought 2500X which followed 2500 of the January 2023 \$280/\$350 call spreads opened on 5/19. COIN shares put in a reversal candle on 5/19 and have been forming a long base with a breakout above the 8 and 21 day moving averages to start the week, and VWAP off the IPO highs is up at \$294.50 as a potential target as shares gain momentum. COIN daily RSI looks to be confirming this move as it tries to move above the 5/11 RSI high. The \$46B cryptocurrency brokerage allowing for buying, selling, earnings, spending, investing and storage for hedge funds, money managers and consumers trades 48X Earnings and 8X EV/Sales with revenues growing 139% in 2020 and seen growing 390% in 2021 while EBITDA seen rising 460% this year to \$3B. COIN is seeing strong growth driven by increasing adoption of digital currencies and its business model thrives on elevated cryptocurrency volatility. COIN has plenty of opportunities to expand beyond the core business to driver other revenue streams. COIN can become a critical element of the financial infrastructure if the economy can transition to blockchain and crypto-native technology. COIN has grown its users at a 35% CAGR over the past 3 years, reaching 56mm in 1Q21 and 90% of revenues come from retail traders. COIN may look to expand into NFT, collateralized lending, staking and other ancillary services to drive subscription revenues over time. Transaction fees currently comprise 96% of revenues. The WSJ recently reported that COIN is teaming up with a 401(k) provider to offer crypto. COIN is facing some growing competition from decentralized exchanges. Analysts have an average target of \$400 on shares with short interest estimated around just 3% of the float. Goldman started shares Buy on 5/24 with a \$306 target. Wedbush started shares Outperform on 5/20 as a first-mover advantage. In April Rosenblatt started coverage a Buy and a \$450 target as a beneficiary of growing adoption and acceptance of cryptocurrency. It notes that Institutions are increasingly turning to bitcoin as a store of value in an inflationary environment, and as this ecosystem becomes more ubiquitous, businesses are likely to see the value of offering a crypto-checkout option at the point-of-sale.

Hawk Vision:



Hawk's Perspective: COIN looks good technically versus \$215 from a reward/risk perspective and valuation is fairly attractive given the hyper-growth and profitability. I do worry that its fee rate is unsustainable but it is one of the few pure-plays of digital currency adoption and should grow nicely for many years to come.

Confidence Ranking: \$\$