



DropBox Calls Bought as Management Changes Spark Renewed Optimism

Ticker/Price: DBX (\$18.60)

Analysis:

DropBox (DBX) buyer 5000 July \$21 calls at \$1.25 and \$1.30 offers to open this afternoon, a name that has seen mixed action and has 5000 weekly \$18 calls in open interest from a 2/5 buyer, over 7000 February \$20 calls bought, March \$19 calls bought 2000X, and a lot of size in April expiration calls with earnings due out 2-20. DBX on the weekly is forming a long basing pattern with notable bullish RSI divergence and nearing a move above its 21 week EMA that would coincide with a post-IPO trend breakout of its slide since 2018. Shares would likely target \$22 upside initially. The \$7.8B provider of a collaboration and storage platform trades 31.7X Earnings, 24.35X FCF and 4.2X EV/Sales. DBX announced a new COO recently from Google Cloud and has been a name with activist speculation. Forecasts are looking for 15% revenue growth in 2020 with 23.7% EBITDA growth. Spruce Point was out negative on the name recently with a short report. The CEO bought \$9.5M of stock in November. DBX has seen a nice trend higher in premium users and ARPU expansion. Analysts have an average target of \$28.50 and short interest at 7.5% of the float has been on the rise. Jefferies cut shares last month with a \$19 target on a lack of catalysts. Canaccord positive in October calling it a favorite value name with a \$35 target and likes the management changes. Hedge Fund ownership jumped 14.7% in Q3 filings, Salesforce owning a small stake. BAML out on 1-30 noting the COO change shows a new product push, and likely news sales tactics. They have a \$32 target seeing improving execution and cheap valuation.

Hawk Vision:



Hawk's Perspective: DBX looks quite cheap for growing EBITDA at this pace and potential to really make some changes while the chart says this is a key bottom, like April \$19/\$23 call spreads near \$1 as nice reward/risk.

Confidence Ranking: \$\$