



## FEATURED OPTIONS RADAR REPORT



### CDN Market Share Gainer at Depressed Levels Attracts Put Sales

**Ticker/Price:** FSLY (\$25)

**Fastly (FSLY)** is a Tech name trading down 30% YTD and we are not even through January but two notable trades last week with 2000 June \$30 calls bought to open for \$850K and 2000 January 2024 \$25 puts sold to open for \$1.7M premium. FSLY also has 6000 June \$45 short puts in open interest that are underwater, 1500 September \$40 short puts as well as other June and September short put open interest. FSLY does still have March put buys in open interest with 4500 of the \$50 puts and 1475 of the \$45 puts. FSLY shares have round-tripped the post-COVID surge from its April 2020 breakout and this \$21/\$26 zone is the last real zone of support on its long-term chart with weekly RSI very oversold below 30. FSLY is a leader in the edge cloud platform that enables developers to build, secure, and deliver digital experiences, at the edge of the internet. The edge cloud uses the emerging cloud computing, serverless paradigm in which the cloud provider runs the server and dynamically manages the allocation of machine resources. When milliseconds matter, processing at the edge is an ideal way to handle highly dynamic and time-sensitive data. The edge cloud complements data center, central cloud, and hybrid solutions. FSLY's market cap is down to \$2.88B and trades less than 7X FY22 EV/Sales with revenues seen rising at a 15-20% CAGR the next few years though profitability still far off which has weighed on shares. Fastly's software-driven approach to solving complex compute and networking problems has garnered the company a strong reputation for performance that has allowed it to grow its share of the \$10.5B CDN market. FSLY sees its Security business reaching 10X the current size by 2024 and 2022 overall is seen as a transition year for the company. FSLY has high customer concentration and utilizes a consumption revenue model which creates volatility in quarterly number. Serverless edge computing may be its largest longer-term opportunity which should start to show meaningful revenue in 2023. Management is targeting \$1B in revenues for FY25 (FY21 ~ \$350M). Traction in security and serverless edge compute represent the biggest potential upside for FSLY. Analysts have an average target of \$35 with short interest high at 14% of the float. MSCO started shares Neutral with a \$43 target earlier this year and Citi at Sell with a \$25 target noting a potential turnaround play but unattractive unit economics and weak execution key risks. RJF upgraded to Outperform with a \$42 target in December citing checks showing an uptick in traffic.

### Hawk Vision:



**Hawk's Perspective:** FSLY is now trading cheap on EV/Sales but the unit economics and lack of profitability make it a tough buy. I think the most likely upside driver is an acquisition with Amazon, Google, Cisco and others all potential buyers.

**Confidence Ranking:** \$\$