



FEATURED OPTIONS RADAR REPORT



Fastly Bulls Position for a Bottom, See Upside Ahead

Ticker/Price: FSLY (\$66.66)

Analysis:

Fastly (FSLY) this week seeing several bullish trades, the May \$70 call open interest has surged above 11,000 from 2,200, the January 2023 \$125 far OTM calls with 2500 bought for over \$2.5M, the September \$65 puts sold to open 1500X, the September \$80 calls added 1500X, and December \$80 calls bought 400X. The positioning comes ahead of earnings 5-5. FSLY in February/March saw a lot of large put sales with 5000 September \$65, 3000 January \$55, 2000 January \$70, over 6000 September \$70 and 2000 May \$60 all sold to open, so with shares at \$66.50 there appears to be value at these levels. FSLY has been under pressure since February and sits back near support from October while weekly MACD is starting to curl higher and nearing a potential bull crossover. The FSLY low in March was right at a 61.8% Fibonacci of the 2020 range though shares remains under key VWAP levels. 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. The \$7.75B company currently trades 19.6X FY21 EV/Sales with revenues seen rising 31% in 2021 and 27.5% in 2022. FSLY has impressive 143% dollar based net expansion rates and 89% of revenues come from Enterprise customers. FSLY sees a \$36B market with \$18.6B in App Services and Edge Security and \$17.5B in CDN/Streaming. FSLY gross margins improved to 63.7% last quarter and sees room for further expansion as network efficiency improves. FSLY acquired Signal Sciences last August and sees 2021 as a big year for Secure@Edge which also brings higher margins along with Compute@Edge. FSLY mentioned at its MSCO presentation in March it is considering more of a move to be subscription-based. Analysts have an average target of \$85 on shares and short interest remains near record highs around 20% of the float. Piper upgraded shares to Neutral in March with a \$65 target noting the negative headwinds and catalysts have largely played out. Hedge Fund ownership jumped 13% last quarter, Abdiel with 23% of its portfolio and Whale Rock a \$360M reduced position.

Hawk Vision:



Hawk's Perspective: FSLY valuation is more reasonable here though always prefer NET which now trades twice the multiple. At a \$7.75B market cap FSLY could be an eventual acquisition target.

Confidence Ranking: \$\$