



FEATURED OPTIONS RADAR REPORT



Call Buyers See End of Year Rally for Tech Stock Looking to Regain Momentum

Ticker/Price: FSLY (\$44.3)

Analysis:

Fastly (FSLY) is once again starting to see bullish options flows following a sharp earnings sell-off with a combination of put sales and call buys. This week we are seeing December \$45 calls bought over 4000X for \$2.5M while short puts have been the preference with recent opening sales of 1800 January 2023 \$40 puts, 1000 June 2022 \$40 puts, 1000 March \$40 puts, and 1000 January 2023 \$50 puts. FSLY has a lot of mixed open interest for the September timeframe while 2000 October \$45 calls sold to open on 8/24 so may take some time to play out higher. On the daily chart FSLY put in a big reversal candle off its earnings reaction lows and now starting to work back over a key volume node for a potential double bottom with the May lows. The weekly chart shows an ugly trend but did bottom at the low-edge of a falling wedge pattern with room to rebound to the 21-week moving average near \$53. 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 now has a market cap of \$4.9B and is trading 13X FY22 EV/Sales and revenues seen rising 17-20% this year and next while still not seen to be profitable through 2022. FSLY has been investing heavily in security and sees 5G as a positive tailwind. FSLY noted weakness last quarter due to an outage that caused customer loss but also thinks it is behind the company and can return to growth with it being very early in its story. Analysts have an average target of \$36 and short interest is high at 19% of the float. Craig Hallum reduced its target to \$42 on the weak guidance and DA Davidson cut to hold with a \$33 target noting loss of customers from the outage and delays in customer adds. Citi lowered its target to \$33 noting the company's usage-based model is showing its downside and unpredictability and the correction from the outage could take multiple quarters. Hedge Fund ownership fell 11% last quarter, though Abdiel has a concentrated position and Whale Rock added to its position.

Hawk Vision:



Hawk's Perspective: FSLY remains a tough sell with all their issues considering NET has always been our preferred name. The December call positioning is of interest and put sales indicates support in this \$35/\$40 zone, I see the M&A still as a potential outcome to get rid of these execution issues and unlock value.

Confidence Ranking: \$