



## FEATURED OPTIONS RADAR REPORT



### Cloudflare Bulls Position into Strength as Leading Growth Name Surges

**Ticker/Price:** NET (\$84.75)

#### Analysis:

**Cloudflare (NET)** has seen some large positions over the past week starting with 2,350 November \$70 puts sold to open for \$2.3M on 4/21 and then on 4/26 the June \$75 calls bought 2000X for \$2.6M. On 2/12 the January \$85 puts sold to open 1500X and NET also has 6500 January \$70 short puts in open interest. The call side has seen less action but a buyer of July \$80 calls from 11/9 is holding 3,450X. NET has been on a powerful run the past two weeks after breaking out of a key weekly base that formed above the rising 34-week moving average and VWAP off the September 2020 lows, shares now up near the top-end of its range with potential for a break to new highs. NET recently announced a partnership with Nvidia (NVDA) that sparked a strong rally in shares and spoke at the Morgan Stanley conference in March about expanding its TAM and adding new products, seeing itself at the early innings of its journey. NET is a leader in the edge computing / CDN theme which has seen growth ramp quickly over the last year as more importance is put on digital services and infrastructure. NET has a superior product to peers given their low read-error rates, faster processing and flexibility. They have plenty of opportunity to win share in the \$47B TAM with tailwinds from 5G, IoT, and remote work and 2021 the priorities shift into expanding partnerships, new products, and extending their serverless platform strategy into a new class of applications and market opportunities. NET currently has a market cap of \$23.4B and trades rich at a multiple of 41.8X EV/Sales with revenues seen growing 37.5% in 2021 and 32% in 2022. Analysts have an average target of \$100 on shares with short interest at 6% of the float. Baird out positive on 3/29 seeing NET positioned well for the long-run. Truist raised to Buy on 3/23 with a \$110 target after customer checks. Hedge Fund ownership surged 48% in the latest quarterly filings.

#### Hawk Vision:



**Hawk's Perspective:** NET remains a favorite, the multiple is hard to justify, but price-action is very strong and the Spotlight trade in May call spreads is now profitable after a wild ride, and may roll the dice into earnings as I see it posting a blowout number.

**Confidence Ranking:** \$\$