

SPOTLIGHT OPTION TRADE



Netflix Sits on Major Support, Nice Reward/Risk in Reasonably Valued Growth Leader

TRADE SNAPSHOT

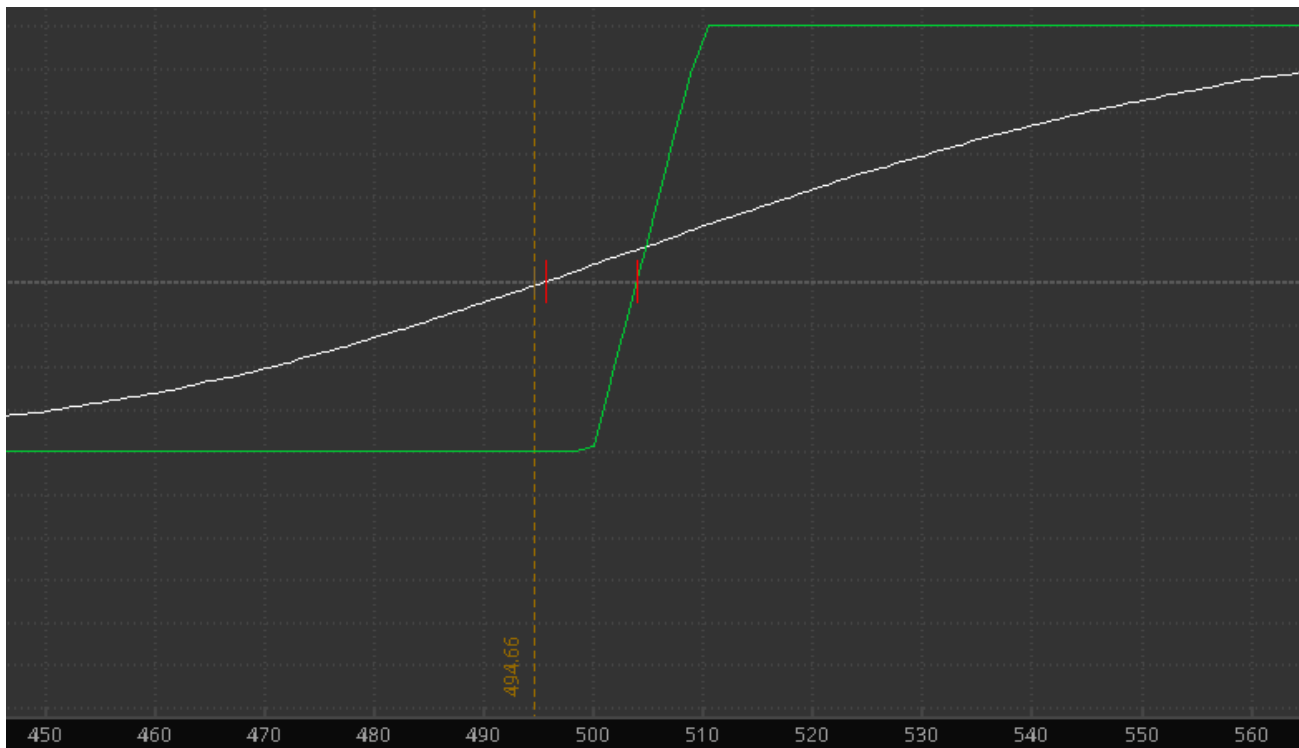
TICKER	NFLX
SECURITY	Netflix, Inc.
SECTOR	Communications – Streaming Media
CURRENT PRICE	\$495
LONG/SHORT	Long
TARGET	>\$510
STOP	475
TIMEFRAME	1.5 Months

Trading Strategy: Sell the NFLX July \$510/\$500 Put Spreads for a \$6 Credit

Net Debit/Credit: Credit of \$6

Profitability Zone: NFLX Above >\$504 on July OpEx

Options Volatility / Trade Simulator View:





Technical Analysis: NFLX shares have based for weeks after selling off on earnings yet not violating key support and the triangle set-up pattern remains intact. Shares are holding above YTD lower value and see good odds of shares working back to at least the middle of this range, and like being short put spreads.



Fundamental Analysis: The \$217B streaming video leader trades 38X Earnings, 7.6X EV/Sales and 88X FCF with revenues seen growing in the 15-20% annual range the next two years which has come down from prior years and resetting investor expectations but EPS seen growing 73.5% in 2021 and 22.9% in 2022, NFLX is becoming one of the stronger earnings growth stories in the market. NFLX margins remain a source of upside as it continues widespread pricing increases. NFLX continues to invest in its content and has a strong film slate set for 2021, a large opportunity in the early stages for major films to be released at home as opposed to the box office. Management now believes the company no longer needs to raise external financing for operational purposes and expects to use excess capital for share repurchases. NFLX is also likely headed towards Investment Grade rating and has also commented on a potential opportunity in Gaming. Analysts have an average target of \$620 with short interest low at 2.2% of the float. Stifel raised shares to Buy on 4/21 with a \$560 target noting “Netflix is a globally dominant company in media distribution that should experience mid-teens intermediate-term revenue growth with rising operating margins and significant free cash flow generation. We have been waiting for Netflix to have the quarter in which the pull forward became evident and the 1Q:21 results served as that moment. We expect a 3-to-9 month period of working through the remaining COVID comp issues followed by a multi-year period in which the stock can compound at a rate consistent with revenue growth or ~15% per annum, allowing for some multiple compression given rising operating margins.” Jefferies assumed shares Buy on 5/19 with a \$620 target seeing \$100B content spent, \$17.5B FCF and \$12B in buybacks the next five years.

Options Activity:

Date	Description	Volume	Open Int	Price	Delta	Impl Vo	Prob ITN	Premium Paid	Symbol	Current Price	Current OI
6/4/2021	NFLX 100 (Weeklys) 23 JUL 21 545 CALL	509	3	\$8.42	0.25	31.97%	20.96%	\$425,015	.NFLX210723C545	\$7.65	268
6/3/2021	NFLX 100 20 JAN 23 465 PUT	450	127	\$66.60	-0.37	32.93%	53.56%	\$3,107,250	.NFLX230120P465	\$64.85	571
6/3/2021	NFLX 100 20 AUG 21 495 CALL	420	98	\$26.15	0.5	31.06%	44.19%	\$1,089,900	.NFLX210820C495	\$29.60	544
6/3/2021	NFLX 100 15 OCT 21 490 CALL	219	34	\$35.75	0.54	30.90%	46.02%	\$808,110	.NFLX211015C490	\$40.00	222
6/2/2021	NFLX 100 17 DEC 21 470 PUT	565	481	\$32.20	-0.36	31.45%	44.68%	\$1,833,425	.NFLX211217P470	\$34.02	982
6/2/2021	NFLX 100 16 JUL 21 480 CALL	1,183	2,295	\$29.30	0.67	27.64%	62.93%	\$3,543,085	.NFLX210716C480	\$28.28	2033
5/28/2021	NFLX 100 15 OCT 21 510 PUT	502	79	\$37.80	-0.478	29.25%	55.02%	\$1,897,560	.NFLX211015P510	\$46.95	579
5/25/2021	NFLX 100 20 AUG 21 525 PUT	315	7	\$43.90	-0.6	29.46%	65.21%	\$1,370,250	.NFLX210820P525	\$48.90	183
5/25/2021	NFLX 100 16 JUL 21 515 CALL	1,194	3,847	\$15.97	0.43	27.50%	39.08%	\$1,940,250	.NFLX210716C515	\$9.50	1390
5/25/2021	NFLX 100 16 JUL 21 450 PUT	1,336	3,781	\$5.80	-0.17	32.42%	20.05%	\$808,280	.NFLX210716P450	\$3.90	2757
5/20/2021	NFLX 100 16 JUL 21 525 CALL	1,222	504	\$13.75	0.38	29.27%	33.17%	\$1,778,010	.NFLX210716C525	\$6.70	1688
5/17/2021	NFLX 100 21 JAN 22 350 PUT	4,659	2,031	\$9.50	-0.11	37.86%	18.62%	\$4,426,050	.NFLX220121P350	\$8.20	6512

Potential Catalysts: Earnings Mid-July

Disclaimer:

Not Investment Advice or Recommendation

Any descriptions "to buy", "to sell", "long", "short" or any other trade related terminology should not be seen as a recommendation. The Author may or may not take positions in any of the names mentioned, and is not obligated to disclose positions, nor position sizes.

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