



Pure Storage Positioning Sees Limited Downside

Ticker/Price: PSTG (\$18)

Analysis:

Pure Storage (PSTG) with 10,000 February \$17.50 puts sold to open today for \$0.40, follows 9,000 of the March \$15 puts sold earlier this week. PSTG had buyers in the May \$17.50 and \$20 calls in open interest, the latter with more than 1,850, as well 1,000 OTM Jan. 2020 \$25 calls from buyers. PSTG shares are forming a multi-week base under \$18/\$19 after clearing a downtrend from the September highs. Shares have a big volume node above at \$22 to target. Long-term, shares have pulled back from higher near \$28 to re-test a big range breakout from late 2017 at \$15 where shares have held. PSTG also held the 61.8% Fibonacci of the rally at \$16.75. The \$4.13B company trades 40.4X earnings and 3.2X sales with nearly \$5/share of cash on hand. PSTG forecasts 70.7% EPS growth in FY20 and 47.6% in FY21 with revenues growing 27.5% and 20% respectively. The company announced a suite of cloud offerings in November through Amazon Web Services. The move expands PSTG into the expanding hybrid cloud market. Analysts have an average target for shares of \$26.50 with 17 buy ratings and 7 hold ratings. Short interest is 6% but down from 7.6% in October and as high as 10.5% in early 2016. Piper with a \$25 PT on 11/20 commenting on the cloud move by saying it's a "game-changer" for Pure Storage and makes the company more software-centric and provides more valuation support. Wolfe started coverage at Outperform on 12/11 with a \$25 PT as the cloud shift offer an attractive opportunity long-term. Institutional ownership fell 7% last quarter.

Hawk Vision:



Trading Strategy: PSTG is a favored name in storage and like the upside story here, though the put sales show support I would prefer to see some better call accumulation, otherwise be a buyer of the stock at \$15.

Confidence Ranking: \$\$