

SPOTLIGHT OPTION TRADE



Palo Alto Weakness Opportunity to Position for December Earnings

TRADE SNAPSHOT

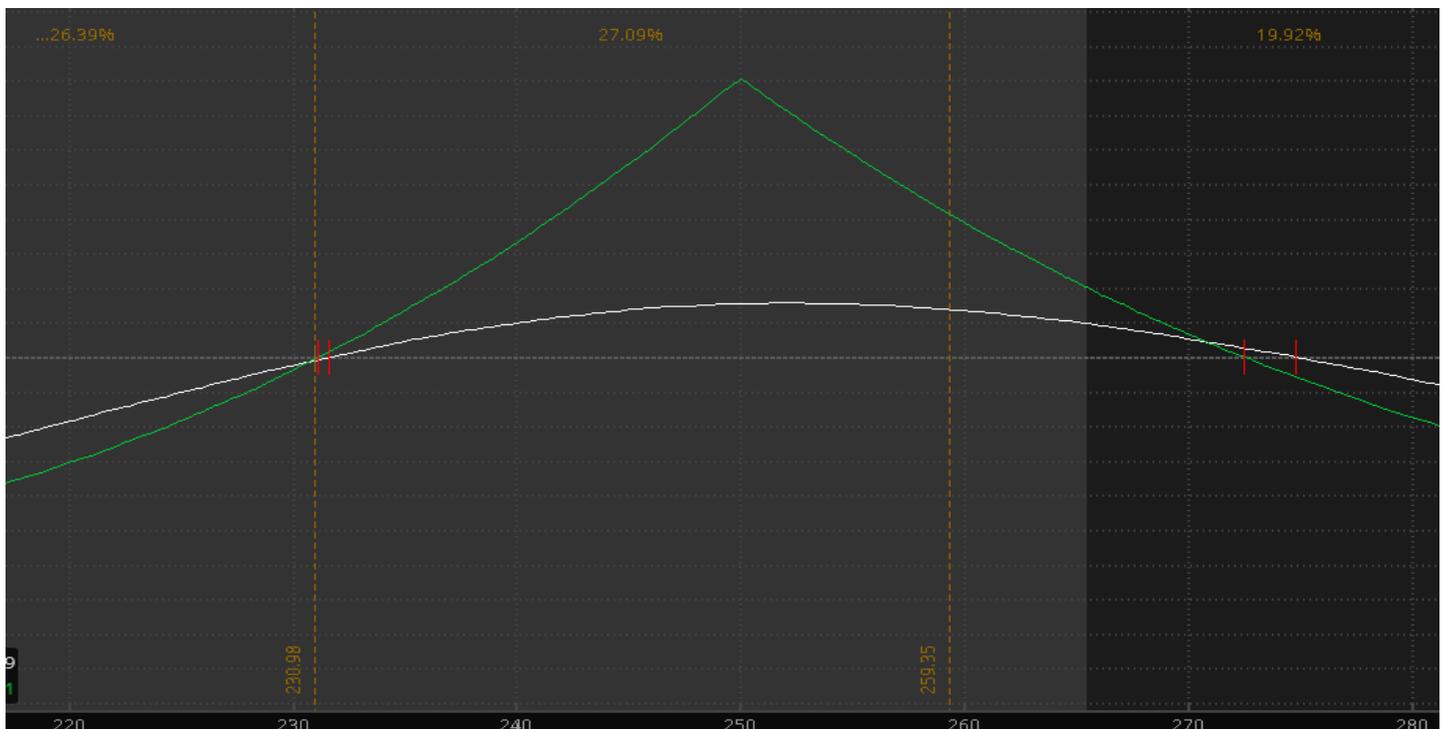
TICKER	PANW
SECURITY	Palo Alto Networks
SECTOR	Tech – Software – Cyber Security
CURRENT PRICE	\$231.50
LONG/SHORT	Long
TARGET	\$250+
STOP	\$220
TIMEFRAME	3 Months

Trading Strategy: Long the PANW November/January \$250 Call Calendar Spreads at \$7 Debit

Net Debit/Credit: Debit of \$7

Profitability Zone: PANW \$235/\$265 Zone for November OpEx

Options Volatility / Trade Simulator View:





Technical Analysis: PANW shares are oversold and back to a key support zone retesting the base breakout from July while the 200-day moving average just under at \$225. PANW potentially forming a much large wedge pattern and can rebound back to resistance by November OpEx with potential to break out much higher December-January.



Fundamental Analysis: The \$22B network security leader trades 33.7X Earnings, 27X FCF and 4.5X FY21 EV/Sales, the latter metric a major discount to some of its hyper-growth peers. PANW remains undervalued generating steady 17-20% annual revenue growth and sees 15% EPS growth in 2021 and 22.5% in 2022 while it also continues to expand its TAM via bolt-on acquisitions. Commentary across the industry says spending will remain strong in 2H20 and 1H21 across the security names due to the accelerated digital transformation. PANW is coming off another solid quarter with much better execution, strength from WFH demand and next-gen security. Analysts have an average target near \$300 and short interest at 4.5% of the float. Deutsche Bank raised its target to \$340 in August calling PANW a best-in-class security firm with a cash-cow firewall business as well as cloud security momentum. Hedge Fund ownership fell 1.8% in Q2 filings.

Options Activity: PANW with some notable size in January \$200, \$260 and \$270 call open interest.

Date	Description	Volume	Open.Int	Price	Delt	Impl Vo	Prob.ITV	Premium Paid	Symbol	Current Price	Current OI	Price Change
10/27/2020	PANW 100 20 NOV 20 252.5 CALL	793	25	\$2.25	0.2	34.26%	17.16%	\$184,769	.PANW201120C252.5			
10/27/2020	PANW 100 20 NOV 20 215 PUT	846	96	\$2.69	-0.19	37.32%	22.18%	\$227,574	.PANW201120P215			
10/26/2020	PANW 100 (Weeklys) 13 NOV 20 227.5 PU	440	12	\$5.60	-0.42	36.62%	45.07%	\$246,400	.PANW201113P227.5	\$5.60	444	0.00%
9/23/2020	PANW 100 18 JUN 21 210 PUT	200	10	\$15.75	-0.28	39.36%	40.58%	\$315,000	.PANW210618P210	\$15.30	411	-2.86%
9/21/2020	PANW 100 20 NOV 20 250 CALL	504	20	\$10.80	0.45	35.20%	39.06%	\$544,320	.PANW201120C250	\$2.31	746	-78.61%
8/18/2020	PANW 100 18 DEC 20 280 CALL	259	97	\$18.80	0.46	39.54%	36.62%	\$486,920	.PANW201218C280	\$1.92	477	-89.79%
7/13/2020	PANW 100 21 JAN 22 170 PUT	434	181	\$15.25	-0.15	42.64%	31.28%	\$661,850	.PANW220121P170	\$11.60	480	-23.93%
6/8/2020	PANW 100 18 DEC 20 260 CALL	281	87	\$16.25	0.42	36.84%	31.50%	\$456,625	.PANW201218C260	\$4.40	616	-72.92%
6/3/2020	PANW 100 15 JAN 21 210 PUT	700	199	\$16.20	-0.29	40.09%	40.28%	\$1,134,000	.PANW210115P210	\$7.80	1042	-51.85%
5/20/2020	PANW 100 21 JAN 22 260 CALL	295	12	\$35.24	0.51	37.07%	32.47%	\$1,070,850	.PANW220121C260	\$25.10	214	-28.77%
5/20/2020	PANW 100 15 JAN 21 270 CALL	1,269	312	\$15.90	0.36	37.52%	25.75%	\$2,043,090	.PANW210115C270	\$4.45	1120	-72.01%
5/7/2020	PANW 100 15 JAN 21 260 CALL	501	340	\$9.45	0.29	33.55%	20.06%	\$531,060	.PANW210115C260	\$6.14	1186	-35.03%
4/13/2020	PANW 100 21 JAN 22 180 PUT	496	38	\$34.50	-0.39	37.51%	58.97%	\$1,711,200	.PANW220121P180	\$14.75	299	-57.25%
4/8/2020	PANW 100 15 JAN 21 210 CALL	700	163	\$10.75	0.36	38.17%	24.05%	\$980,000	.PANW210115C210	\$33.00	617	206.98%
4/6/2020	PANW 100 15 JAN 21 170 CALL	238	70	\$26.25	0.58	43.19%	43.25%	\$624,750	.PANW210115C170	\$62.90	165	139.62%
2/28/2020	PANW 100 15 JAN 21 200 CALL	1,522	138	\$19.50	0.47	32.62%	35.56%	\$2,960,290	.PANW210115C200	\$41.07	2,716	110.62%

Potential Catalysts: Earnings Late November

Disclaimer:

Not Investment Advice or Recommendation

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