

## SPOTLIGHT OPTION TRADE



### Cyber Security Leader Strong Weekly Base, Poised to Work Back to Highs

#### TRADE SNAPSHOT

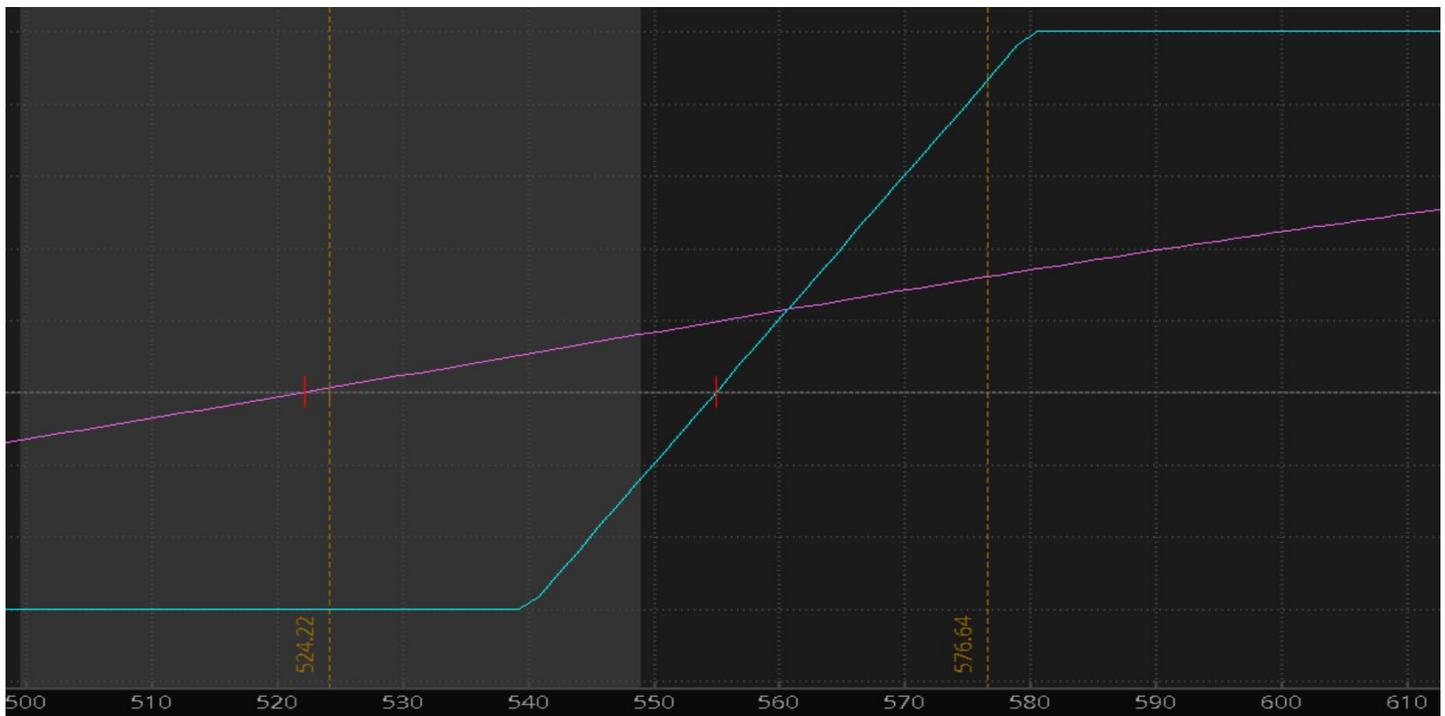
TICKER	PANW
SECURITY	Palo Alto Networks
SECTOR	Tech – Software – Cyber Security
CURRENT PRICE	\$524
LONG/SHORT	Long
TARGET	\$600
STOP	\$475
TIMEFRAME	2 Months

**Trading Strategy:** Long the PANW September \$540/\$580 Call Spreads at \$15 Debit

**Net Debit/Credit:** Debit of \$15

**Profitability Zone:** PANW Shares Above \$555 on September OpEx

**Options Volatility / Trade Simulator View:**





**Technical Analysis:** PANW based precisely on VWAP from the March 2021 lows and has now worked higher above key volume nodes with one more to clear and the 200-MA near \$527.25, a 9-week base after a top performer finally pulled back while weekly MACD nearing another bull cross.



**Fundamental Analysis:** PANW delivers cybersecurity products covering a broad range of use cases, enabling end-customers to secure their networks, remote and hybrid workforces, branch locations, and public and private clouds. PANW's core focus is on Zero Trust Network Security, Cloud Security, SASE, Analytics & Automation and Threat Intelligence & Consulting. PANW has been an innovator and released 29 new products in 2021 and has consistently exceeded its internal targets. Cybersecurity remains a key focus area of spending for CIOs with an active threat environment as well as more advanced/complex threats. PANW sees a \$110B TAM by 2024 growing at a 14% CAGR. PANW has released nearly all Gen 4 appliance models that will drive growth in coming quarters and is seeing strong uptake of advanced URL subscriptions and strong early demand for new advanced threat prevention subscription. PANW has a market cap of \$51.55B and trades 55X Earnings, 9.5X EV/Sales and 32X FCF with revenues seen rising 29% with one quarter remaining in FY22 and FY23 forecasts at 22.6% growth in revenues and 24% EPS growth. Analysts have an average target of \$630 with short interest elevated at 7.9% of the float. BMO raised its target to \$650 last week as a top pick and RBC out positive on 6/16 on the growth drivers and transformation of security spending with upside to margins in the future.

PANW spoke at the BAML Tech Conference in June and some comments that stood out include:

“In that network security stack, the biggest move is going to be a \$20 billion to \$30 billion TAM is being created as we speak around SASE, which is where we are 1 of 2.5 players. There's us, Zscaler and Netscope. Nobody else do never SASE. We built the best firewalls in the world. We're the only people with the largest software firewall business. So in the network security stack, we believe we are #1. We believe it will continue to be #1. We're growing that at north of 20%. Our firewall-to-platform business, an industry that's growing at 6% to 8%. That's network security. That's a \$4 billion-plus business for us. That's bigger than any cybersecurity companies revenue out there. Just the network of it.”

“Third business, which is still interesting is this whole confluence of endpoints and SOC automation. That is going to be a \$30 billion or \$40 billion TAM in the next 5 to 10 years. That is the next big thing that's going to get the dilution. This is where people like IBM, LEED, Algorithm, ArcSight, West Point lives, where Exabeam lives, where Sumo Logic lives. That world is going to get preengineered. Again, we have the second best -- second largest XDR business in the world after CrowdStrike. We're bigger than SentinelOne, we're bigger than Carbon Black, we're bigger than Cyberreason. Nobody knows that. “

### Options Activity:

Date ▾	Ticker	Contract	Volume	OI	Price	Delta	IV	Premium	Last	Current OI	▲ Price
07-08-2022	PANW	PANW 100 16 SEP 22 520 CALL	787	400	\$41.9	0.55	46.74%	\$3,541,500	\$44.39	400	▲ 5.94%
07-07-2022	PANW	PANW 100 16 SEP 22 390 PUT	507	84	\$6.8	-0.10	55.55%	\$354,900	\$6.8	511	▲ 0%
07-05-2022	PANW	PANW 100 19 AUG 22 510 PUT	1,608	17	\$26.37	-0.41	43.31%	\$4,229,040	\$21.7	1,625	▼ 17.71%
07-05-2022	PANW	PANW 100 19 AUG 22 510 CALL	1,608	67	\$37.23	0.59	44.3%	\$6,222,960	\$35.6	1,665	▼ 4.38%
06-24-2022	PANW	PANW 100 16 SEP 22 380 PUT	309	81	\$7.1	-0.11	55.2%	\$253,380	\$5	983	▲ 29.58%
06-21-2022	PANW	PANW 100 16 SEP 22 550 CALL	308	80	\$23.35	0.35	46.44%	\$719,180	\$30.5	439	▼ 30.62%
06-16-2022	PANW	PANW 100 15 JUL 22 500 CALL	795	286	\$11.3	0.31	47.06%	\$954,000	\$27.5	2,395	▼ 143.36%
05-24-2022	PANW	PANW 100 16 DEC 22 440 PUT	364	22	\$47.1	-0.34	47.85%	\$1,812,720	\$33.9	344	▼ 28.03%
05-18-2022	PANW	PANW 100 20 JAN 23 250 PUT	10,994	331	\$9.55	-0.08	59.05%	\$10,664,180	\$3	12,230	▼ 68.59%
05-17-2022	PANW	PANW 100 16 DEC 22 480 PUT	222	63	\$73.2	-0.47	45.43%	\$1,625,040	\$39.2	153	▲ 46.45%
05-12-2022	PANW	PANW 100 19 JAN 24 440 PUT	280	55	\$76.2	-0.32	42.54%	\$2,133,600	\$66.8	196	▲ 12.34%
05-11-2022	PANW	PANW 100 20 JAN 23 500 CALL	506	491	\$69	0.54	49.62%	\$3,547,060	\$77	1,172	▼ 11.59%
05-11-2022	PANW	PANW 100 20 JAN 23 480 PUT	750	172	\$72.5	-0.43	46.77%	\$5,767,500	\$45	996	▲ 37.93%
05-09-2022	PANW	PANW 100 19 JAN 24 410 CALL	1,000	7	\$133.5	0.70	47.59%	\$13,930,000	\$166.32	1,008	▲ 24.58%

**Potential Catalysts:** Earnings Late August

## **Disclaimer:**

### **Not Investment Advice or Recommendation**

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