

## SPOTLIGHT OPTION TRADE



### Pinterest Option Prices Cheap, Bullish Positioning with Room to Run

#### TRADE SNAPSHOT

TICKER	PINS
SECURITY	Pinterest, Inc.
SECTOR	Tech – Internet
CURRENT PRICE	\$26.68
LONG/SHORT	Long
TARGET	\$34
STOP	\$24.75
TIMEFRAME	7 Weeks

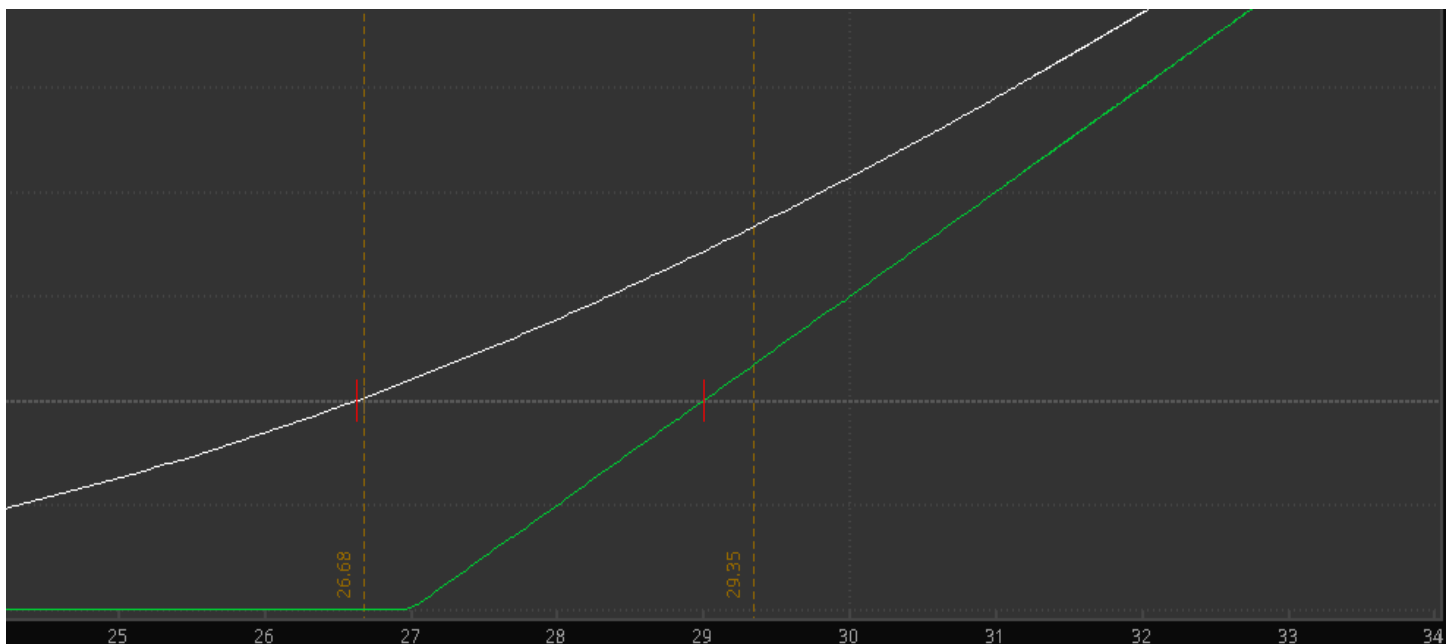
**Trading Strategy:** Long the PINS August \$27 Calls at \$2 or Better

**Net Debit/Credit:** Debit of \$2

**Profitability Zone:** PINS Above \$29 on August OpEx

**Greeks:** Delta 51; Vega 4; Gamma 7; Theta -2

**Options Volatility / Trade Simulator View:**





**Technical Analysis:** PINS shares pulled back in a narrow channel off resistance but held a rising trend line and overall look to form a large cup and handle pattern that can see upside to \$34-\$35 on a breakout.



**Fundamental Analysis:** The \$14.5B Internet Company operating a platform for discovery that has seen strong interest from advertisers is trading 11.7 X FY20 EV/Sales and after nearly 60% revenue growth in 2018 expects 42.7% growth this year and 33% growth in 2020. PINS is also forecasted to generate positive EBITDA in FY20. PINS sold off after its initial earnings report with weaker than expected FY19 guidance and the company has made it clear this will be a heavy investment year for its products and salesforce. Its vide offering is a premium priced product and is seeing very strong adoption. PINS has 250M+ active monthly users with over 2B searched and 175B saved pins. Pinterest is where more than 250 million people around the world go to get inspiration for their lives. They come to discover ideas for just about anything you can imagine: daily activities like cooking dinner or deciding what to wear, major commitments like remodeling a house or training for a marathon, ongoing passions like fly fishing or fashion and milestone events like planning a wedding or a dream vacation. The global advertising market is projected to grow to \$826 billion in 2022 from \$693 billion in 2018, representing a 5% compound annual growth rate (“CAGR”), according to IDC. The digital advertising market alone is projected to grow to \$423 billion in 2022 from \$272 billion in 2018, representing a 12% CAGR, according to IDC. In 2018, the consumer packaged goods (“CPG”) and retail industries accounted for \$64 billion of this digital advertising spend, and the travel, technology (includes computing, consumer electronics and telecom), automotive, media & entertainment and financial services industries accounted for an additional \$144 billion. The International opportunity for PINS is just beginning and contributes very little to revenues at this stage. Like many social media companies there will be a number of user engagement metrics to evaluate PINS while ARPU is showing strong acceleration. Historically, sequential user growth is slowest in the second calendar quarter. Industry advertising spend tends to be strongest in the fourth quarter, and it observes a similar pattern in its historical advertising revenue. Analysts have an average target near \$28 and short interest is around 14% of the float. It recently launched a new “Complete the Look” visual search tool providing a further gateway into e-commerce for fashion and home. Pinterest is well positioned for product discovery, according to research by eMarketer, Pinterest currently outperforms other social platforms in terms of product discovery: with 47% of users turning to Pinterest to find new products, vs. 15% of Facebook user and 11% of Instagram users. On 6/17 Wedbush started coverage at Outperform with a \$33 target noting PINS is a differentiated platform benefitting consumers and advertisers. RW Baird has a \$36 target and sees ongoing strength in US advertising and early signs of traction from International growth efforts.

**Quarterly Monthly Active Users  
(in millions)**

**Global**



## Quarterly Average Revenue per User

### Global



### Options Activity:

Date	Description	Volume	Open.Int	Price	%Change	Delta	Impl Vol	Prob.ITM	Premium Paic	Symbol
7/1/2019	PINS 100 15 NOV 19 28 PUT	514	92	\$4.50	-7.79%	-0.47	61.23%	61.24%	\$231,300	.PINS191115P28
6/25/2019	PINS 100 16 AUG 19 25 PUT	2,349	610	\$1.60	0.63%	-0.34	60.74%	42.43%	\$375,840	.PINS190816P25
6/25/2019	PINS 100 19 JUL 19 27 CALL	1,719	785	\$1.25	0.00%	0.4	46.98%	35.39%	\$214,875	.PINS190719C27
6/14/2019	PINS 100 19 JUL 19 30 CALL	1,267	394	\$0.82	28.13%	0.326	48.12%	27.40%	\$103,894	.PINS190719C30
6/13/2019	PINS 100 (Weeklys) 26 JUL 19 27 PUT	1,502	73	\$1.99	-1.49%	-0.462	51.51%	53.21%	\$298,898	.PINS190726P27
6/13/2019	PINS 100 (Weeklys) 26 JUL 19 26 PUT	1,500	0	\$1.41	N/A	-0.379	51.92%	44.90%	\$211,500	.PINS190726P26
6/13/2019	PINS 100 19 JUL 19 25 PUT	1,224	1,064	\$0.90	0.00%	-0.301	48.19%	35.59%	\$110,160	.PINS190719P25
6/13/2019	PINS 100 (Weeklys) 26 JUL 19 24 PUT	1,500	3	\$0.71	9.23%	-0.227	52.08%	28.43%	\$106,500	.PINS190726P24
6/11/2019	PINS 100 17 JAN 20 26 PUT	994	435	\$4.50	12.50%	-0.38	63.36%	56.94%	\$447,300	.PINS200117P26
5/16/2019	PINS 100 17 JAN 20 35 PUT	2,000	76	\$10.40	-2.80%	-0.48	73.12%	70.96%	\$2,100,000	.PINS200117P35
5/15/2019	PINS 100 15 NOV 19 25 PUT	500	63	\$3.80	-15.56%	-0.3	75.43%	50.22%	\$190,000	.PINS191115P25
5/13/2019	PINS 100 16 AUG 19 26 PUT	1,000	40	\$3.50	16.28%	-0.37	78.33%	53.12%	\$380,000	.PINS190816P26
5/13/2019	PINS 100 16 AUG 19 27 PUT	509	225	\$3.80	10.79%	-0.4	76.52%	55.27%	\$208,690	.PINS190816P27
5/8/2019	PINS 100 17 JAN 20 34 PUT	1,000	69	\$9.75	-4.60%	-0.47	73.57%	70.37%	\$975,000	.PINS200117P34
5/7/2019	PINS 100 17 JAN 20 28 PUT	1,000	2	\$6.20	-1.59%	-0.35	74.95%	58.99%	\$620,000	.PINS200117P28
5/7/2019	PINS 100 17 JAN 20 25 PUT	502	361	\$4.70	1.51%	-0.29	74.83%	52.23%	\$240,960	.PINS200117P25
5/6/2019	PINS 100 15 NOV 19 45 CALL	603	103	\$1.75	-10.26%	0.26	64.62%	13.42%	\$114,570	.PINS191115C45
5/3/2019	PINS 100 15 NOV 19 26 PUT	1,000	46	\$4.80	-4.00%	-1 --		100.00%	\$480,000	.PINS191115P26
4/26/2019	PINS 100 16 AUG 19 30 CALL	514	61	\$4.88	10.91%	0.582	73.81%	41.89%	\$250,832	.PINS190816C30

### Potential Catalysts: Earnings in August

**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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