



FEATURED OPTIONS RADAR REPORT



Unusual Upside Call Buy in Emerging Home Services Growth Play

Ticker/Price: PRCH (\$21.15)

Analysis:

Porch (PRCH) unusually active on 9/1 with 3500 February \$25 calls bought \$2.45 to \$2.50, while back on 7/21 the February \$22.5/\$20 strangle was sold to open for \$7.55, leaving upside room to \$30 and skewed bullish Delta. PRCH also has some open interest in the December \$25 calls and has 1250 December \$20 puts sold to open back in April. PRCH got off to a strong start in 2021 but pulled back into April-May and this week breaking out of a multi-month range and out of its downtrend. Porch is a vertical software platform for the home, providing software and services to approximately 10,500 home services companies, such as home inspectors, moving companies, utility companies, warranty companies, and others. Porch helps these service providers grow their business and improve their customer experience. As a way to pay for the software and services, these companies connect their homebuyers to Porch, who in turn makes the moving process easier, helping consumers save time and make better decisions about critical services, including insurance, moving, security, TV/internet, home repair and improvement, and more. Porch believes their TAM is \$200B and will continue to expand as they add services and connect with more and more contractors in some highly fragmented industries. PRCH currently has a market cap of \$1.94B and trades 10.3X FY31 and 7.3X FY22 EV/Sales with revenues seen rising 156% in 2021 and 42.5% in 2022. Profitability is seen late in 2023. PRCH has been active via M&A to expand its services and saw a strong quarter from Insurance while it recently bought Rynoh, a SaaS company providing software to title companies. Porch has low cost and early access to homebuyers as well as unique property data. Analysts have an average target of \$27 with short interest at 7% of the float. OpCo started shares at Buy in late June noting Porch is able to monetize critical services (insurance, moving services, security installs, etc) at extremely low customer acquisition costs, supporting a 41% '20-26E revenue CAGR. Benchmark out positive on 8/17 expecting two more guidance raises in 2H21 and is a top idea across the Internet landscape. Stephens in May noted that Porch has several growth levers on the way to \$2B in revenues at a 25% EBITDA margin.

Hawk Vision:



Hawk's Perspective: PRCH may emerge as a true winner in the home services field but has risen around 40% in the span of two weeks, so best to wait for a consolidation set-up. I like the opportunity it presents in a massive market.

Confidence Ranking: \$\$