



Bulls Pile into Snap Calls as Weekly Consolidation Set-Up for Breakout

Ticker/Price: SNAP (\$16.75)

Analysis:

Snap (SNAP) rising off lows with 6500 July \$19 calls bought \$1.63 to \$1.67 to open, earnings 2-4. SNAP sees a lot of daily activity but these meaningful for over \$1M and longer-dated while recently has seen 15,000 February \$16 calls open and buyers in April \$20 and March \$18 calls for good size. SNAP was a top performer in 2019 after falling to lows under \$5 in late 2018 after its IPO in 2017 saw a move to \$28 initially. Shares are forming a strong looking weekly consolidation pattern that targets a move to \$24. The \$23.9B mobile application company trades 12.4X EV/Sales with revenues jumping 43% in 2018 and 45% in 2019 and forecasts for 35% growth in 2020. SNAP is also eyeing profitability in 2020. Analysts have an average target of \$18 and short interest remains elevated near 15% of the float. JMP upgraded to Outperform with a \$20 target on 12-13 confident in Snap's ability to grow its user base, increase engagement, and improve overall monetization as the service attracts more advertisers and share of advertising budgets. Snap is well positioned to continue to add daily active users and close the monetization gap with other major social networks as its sales force reorganization is done and it launches new advertising products. SNAP has recently announced new partnerships with Coca Cola and McDonald's showing the potential for its camera search and SNAP can capture its share of TV ad dollars migrating online. Loop Capital upgraded to Buy on 11/25 with a \$20 target seeing the company turning a corner with deployment of its Android app and re-organization of its sales force, and positioned well in the core young demographic with monetization upside ahead. Hedge Fund ownership surged 25% higher in Q3 filings, Coatue Mgmt. with a new large position while a top holding for Jericho Capital.

Hawk Vision:



Hawk's Perspective: SNAP sets up nicely and its impressive growth to peers makes it a top momentum play that could deliver some strong upside numbers in 1H20.

Confidence Ranking: \$\$