



FEATURED OPTIONS RADAR REPORT



Massive Call Buy in Sonos Sees Momentum Continuing

Ticker/Price: SONO (\$40.25)

Analysis:

Sonos (SONO) on 4/5 traded over 15,000 calls which is 2.2X daily average with a large block of 6000 October \$40 calls for \$6.30 the notable trade and follows accumulation of 15,8000 June \$45 calls and a buyer of 6000 January \$45 calls for \$3.66M on 2/11 that adjusted higher the \$30 calls following a very strong earnings report that saw a record number of new customers. SONO also saw a Director buy \$2M in stock at \$37.35 on 2-19. SONO was also on the bullish technical set-ups into this week with a recent base above its rising 55-day moving average and now working out of that base with RSI nearing a trend breakout and MACD nearing a bull crossover. A move above the recent highs should target a run to \$55. Sonos is one of the world's leading sound experience brands. As the inventor of multi-room wireless audio products, Sonos' innovation helps the world listen better by giving people access to the content they love and allowing them to control it however they choose. Known for delivering an unparalleled sound experience, thoughtful design aesthetic, simplicity of use and an open platform, Sonos makes a breadth of audio content available to anyone. Sonos sits at the intersection of emerging consumer technology and entertainment trends. The proliferation of streaming services and the rapid adoption of voice assistants are significantly changing audio consumption habits and how consumers interact with the internet. As a leading sound system for consumers, content partners and developers, Sonos is capitalizing on the large market opportunity created by these dynamics. The \$4.64B company trades 40.2X Earnings, 3.3X Sales and 20.2X FCF with a very strong balance sheet. SONO forecasts see 17.90% revenue growth in 2021 and 100% EBITDA growth and the company on 3-10 at an Investor Day announced it is targeting \$2.25B in revenues for FY24 with gross margins in the 45-47% range. The company also used the day introduce its new Roam small form factor portable speaker that provides a \$169 entry point into the Sonos ecosystem and comes along with portability and Bluetooth connectivity. SONO is also seeing margin benefits from a growing DTC revenue base and management expects to see a boost in the custom installer channel with reopenings. SONO also has an interesting catalyst with the preliminary decision from the its ITC lawsuit against Google for infringing on 130 Sonos patents expected early-to-mid May. Analysts have an average target of \$44.20 with short interest 6.7% of the float, rising 32% Q/Q. MSCO raised its target to \$45 in February as a top small cap pick seeing momentum in 2021 as constraints ease and retail stores reopen. Hedge Fund ownership surged 25% in Q4 filings.

Hawk Vision:



Hawk's Perspective: SONO was a top set-up into this week and nearly made it the Spotlight play this week, looks great and continues to be an undervalued small cap growth name for a luxury brand.

Confidence Ranking: \$\$