

SPOTLIGHT OPTION TRADE



Streaming Leader Comes into Key Weekly Support for Credit Put Spreads

TRADE SNAPSHOT

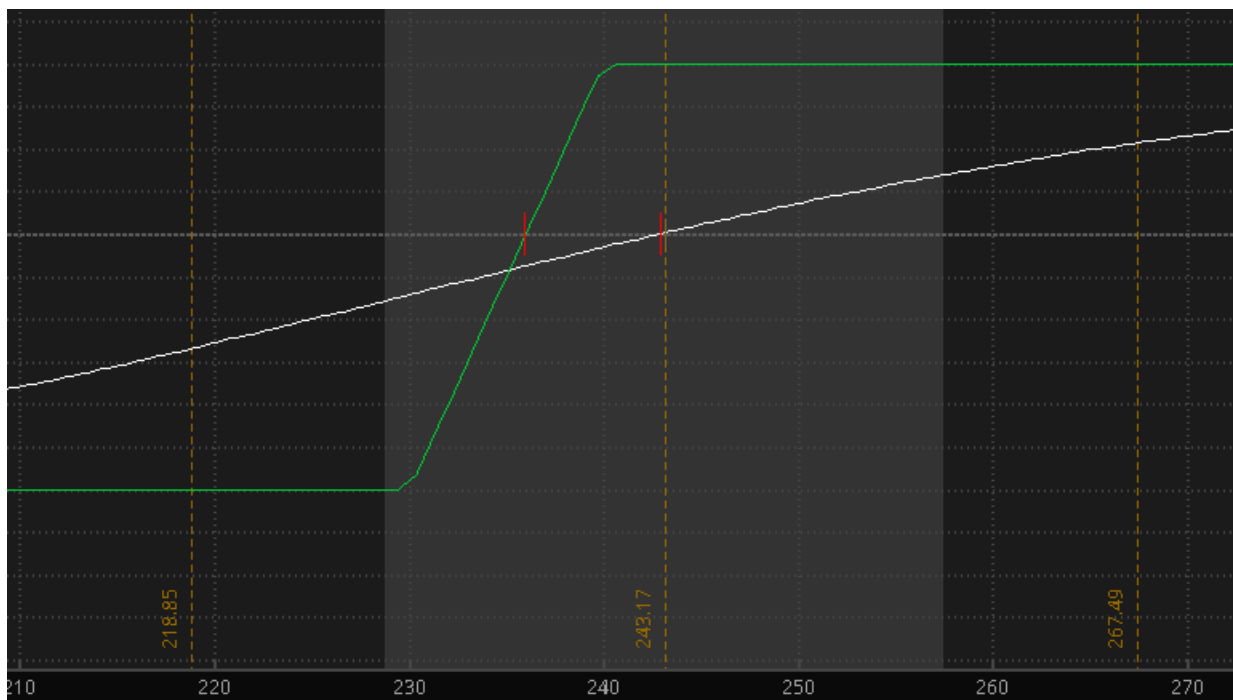
TICKER	SPOT
SECURITY	Spotify Tech
SECTOR	Communications – Streaming Media
CURRENT PRICE	\$243.17
LONG/SHORT	Long Bias
TARGET	> \$240
STOP	None – Defined Risk
TIMEFRAME	1.5 Months

Trading Strategy: Sell the SPOT January \$240/\$230 Put Spreads for \$4 Credit

Net Debit/Credit: Credit of \$4

Profitability Zone: SPOT Above \$244 on January OpEx

Options Volatility / Trade Simulator View:





Technical Analysis: SPOT shares have pulled back off a brief weekly breakout as growth stocks trading rich on valuation (profitability metrics) sold off sharply but now coming into key lower end of a major volume support zone while weekly RSI is making higher lows, so looking for shares to hold near here.



Fundamental Analysis: SPOT has a \$46.5B market cap and trades 3.5X FY22 EV/Sales with revenues seen rising 17-20% annually while EBITDA profitability starts to ramp in coming years. SPOT is the leader in streaming audio despite competition from Amazon, Apple and others. SPOT continues to expand into new markets and also with new products, recently acquiring Locker Room for a new live audio experience. SPOT has a lot of opportunities to push into new areas with upside potential from Podcasts, Advertising, Live Events and even Commerce. SPOT is also planning to implement incremental price hikes through 2021 which will start to show its earnings power story, similar to Netflix a few years ago. Spotify is well-positioned to benefit from the growing online audio category given its scale, expanding distribution ecosystem, content and technology. Spotify expects to grow at a 20%+ CAGR and achieve 30-40% gross margins, as well as 10%+ operating margins and positive free cash flow, over the long term. Through 2030, the company expects to reach 30-40% market share in key verticals of audio like music streaming, podcasts, and paid audio, which represents revenue opportunity levels at 5-7x 2020 levels, according to the company. Analysts have an average target of \$315 with short interest at 3.5% of the float. Benchmark started shares Buy recently with a \$300 target seeing advertising and podcasting growth potential. KeyBanc upgraded shares earlier this year with a \$340 target on favorable industry dynamics, improved monetization and unit economics and attractive valuation.

Options Activity:

Date	Description	Volume	Open Int	Price	Delta	Impl Vo	Prob.ITV	Premium Paid	Symbol	Current Price	Current OI
12/8/2021	SPOT 100 18 MAR 22 300 CALL	400	282	\$6.40	0.204	45.60%	14.28%	\$256,000	.SPOT220318C300		
12/7/2021	SPOT 100 17 JUN 22 250 CALL	207	20	\$28.00	0.51	45.08%	38.51%	\$579,600	.SPOT220617C250		
11/30/2021	SPOT 100 19 JAN 24 220 PUT	300	102	\$46.30	-0.33	41.54%	56.75%	\$1,515,000	.SPOT240119P220	\$48.50	488
11/23/2021	SPOT 100 19 JAN 24 200 PUT	500	6	\$34.50	-0.26	43.25%	50.41%	\$1,725,000	.SPOT240119P200	\$38.32	515
11/17/2021	SPOT 100 17 JUN 22 300 CALL	1,055	165	\$23.50	0.43	43.45%	30.66%	\$2,479,250	.SPOT220617C300	\$10.90	1251
11/17/2021	SPOT 100 17 JUN 22 290 CALL	828	80	\$26.50	0.47	43.39%	34.38%	\$2,194,200	.SPOT220617C290	\$25.03	1258
11/17/2021	SPOT 100 17 JUN 22 280 CALL	789	34	\$29.46	0.506	43.26%	37.68%	\$2,324,394	.SPOT220617C280	\$13.80	945
11/1/2021	SPOT 100 17 DEC 21 310 CALL	821	159	\$12.10	0.41	38.03%	35.57%	\$911,310	.SPOT211217C310	\$0.13	476
11/1/2021	SPOT 100 (Weekly) 14 APR 22 300 CALL	214	35	\$32.81	0.56	40.92%	45.01%	\$702,134	.SPOT220414C300	\$5.90	126
10/29/2021	SPOT 100 18 MAR 22 290 CALL	751	67	\$27.00	0.545	39.58%	44.80%	\$2,027,700	.SPOT220318C290	\$6.00	845
10/27/2021	SPOT 100 17 DEC 21 270 PUT	1,136	405	\$12.80	-0.43	35.63%	48.15%	\$1,442,720	.SPOT211217P270	\$46.00	858
10/27/2021	SPOT 100 17 DEC 21 260 PUT	1,035	177	\$9.90	-0.38	34.67%	43.21%	\$1,024,650	.SPOT211217P260	\$39.20	571
10/19/2021	SPOT 100 20 JAN 23 300 CALL	1,030	2,567	\$30.40	0.45	40.20%	27.82%	\$3,131,200	.SPOT230120C300	\$21.20	3515
10/19/2021	SPOT 100 17 DEC 21 270 PUT	402	10	\$25.10	-0.622	38.33%	67.99%	\$1,009,020	.SPOT211217P270	\$46.00	858
10/19/2021	SPOT 100 17 DEC 21 250 PUT	781	306	\$13.20	-0.41	38.88%	47.45%	\$1,030,920	.SPOT211217P250	\$26.10	642
10/15/2021	SPOT 100 19 JAN 24 240 PUT	1,000	0	\$50.00	-0.37	37.63%	59.42%	\$5,000,000	.SPOT240119P240	\$56.23	1004
10/12/2021	SPOT 100 19 JAN 24 210 PUT	1,350	0	\$39.10	-0.31	39.08%	54.03%	\$5,278,500	.SPOT240119P210	\$44.18	1370
9/30/2021	SPOT 100 (Weekly) 14 APR 22 190 PUT	619	4	\$10.90	-0.234	40.48%	33.46%	\$674,710	.SPOT220414P190	\$10.10	604
9/29/2021	SPOT 100 17 DEC 21 260 PUT	100	0	\$40.20	-0.74	40.50%	80.02%	\$402,000	.SPOT211217P260	\$39.20	571
9/17/2021	SPOT 100 19 JAN 24 220 PUT	100	0	\$40.00	-0.31	38.58%	53.64%	\$400,000	.SPOT240119P220	\$48.50	488
9/16/2021	SPOT 100 18 MAR 22 220 PUT	238	13	\$17.10	-0.32	40.06%	42.94%	\$406,980	.SPOT220318P220	\$19.90	590
9/14/2021	SPOT 100 18 MAR 22 290 PUT	101	0	\$57.50	-0.68	39.58%	77.53%	\$580,750	.SPOT220318P290	\$65.00	66

Potential Catalysts: No Scheduled Events

Disclaimer:

Not Investment Advice or Recommendation

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