



FEATURED OPTIONS RADAR REPORT



Spotify Bulls Position for Return to Leadership

Ticker/Price: SPOT (\$242.75)

Analysis:

Spotify (SPOT) a name seeing a lot of bullish action accumulate this week with action on 6/14 adding September \$240 and \$250 calls for 2000X each, around \$9M in purchases and then on 6/15 the October \$300 calls bought 400X and 550 of the January 2023 \$300 calls bought for nearly \$2M. SPOT has also seen the January 2023 \$230 puts sell to open 2300X back on 5/4. There are also two large positions from a year ago with 1000 January \$200 calls and 2000 January \$240 calls in open interest. SPOT shares are -20% YTD and have lagged the recent growth rally though started to show some strength this week before failing right at the VWAP off March 2020 lows and its 55-day moving average. SPOT really needs to get above \$265 to gain momentum and work back to YTD VPOC at \$280 followed by \$320 upper value. 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. SPOT currently has a market cap of \$48.5B and trades 3.9X EV/Sales with revenues seen growing 27% in 2021 and 20% in 2022 while turning EBITDA positive in 2022 and ramping from there forward. Analysts have an average target of \$340 with short interest rising 40% Q/Q to 4% of the float. Evercore out positive 6/2 with a \$375 target noting its positive survey and potential for 1B users by 2025 which the CEO has laid out and that could double SPOT's value the next three years. Pivotal raised to Buy on 4/29 with a \$340 target noting SPOT is best-in-class for a growing audio streaming market with pricing power and major monetization potential to lever its user base. Hedge Fund ownership jumped nearly 12% in Q1 filings, large holders include Ballie Gifford, Tencent, Ark Investment, Tiger Global, and Tremblant.

Hawk Vision:



Hawk's Perspective: SPOT is one I still love long-term, though near-term needs some better price-action and watch above \$255 for a run to \$280.

Confidence Ranking: \$\$