



FEATURED OPTIONS RADAR REPORT



Unusual Bullish Activity in Switch

Ticker/Price: SWCH (\$19.88)

Analysis:

Switch (SWCH) seeing unusually active options activity this week as call volume of 9500 was 13X daily average on 6/3 with the focus early on the July \$20 calls at \$0.50 to \$0.65 and traded 7500 on the day. SWCH on 6/2 had an opening sale of 2000 November \$19 puts, and has also seen some buy-writes with August \$18, \$19 and \$21 calls. SWCH shares are breaking out on the weekly clearing the May 2020 and February 2021 highs, and this range break targeting a move up to \$24. SWCH is a pioneer in the design, construction and operation of some of the world's most reliable, secure, resilient and sustainable data centers. Its advanced data centers reside at the center of its platform and provide power densities that exceed industry averages with efficient cooling, while being powered by 100% renewable energy. SWCH has more than 950 customers, including some of the world's largest technology and digital media companies, cloud, IT and software providers, financial institutions and network and telecommunications providers. The \$4.7B company currently trades 11X EV/Sales, 68X Earnings and yields a 1% dividend. SWCH forecasts see revenues rising 8.5% and 13.3% the next two years with EBITDA up 7.8% and 12.1% respectively. In May SWCH entered an agreement to acquire Data Foundry, a carrier neutral data center operator for \$420M, at 19.2X FY21 EBITDA. The acquisition gives SWCH access to Data Foundry's 400+ customer logos, which could help accelerate growth in SWCH's existing PRIMES. Analysts have an average target of \$21.50 and short interest at 9.7% of the float has risen 87% Q/Q. Truist started shares Buy in February with a \$24 target saying the post pandemic opportunity will result in above industry average growth, slightly improving margins and a declining capital intensity that should bolster valuation. SWCH employs the combination of what they view as proprietary technology that enhances the end user customer experience with a colo deployment while leveraging scaled telecommunications services resale in order to lower the unit economics for customers. The combination attracts an underserved type of customer but garners an EQIX like MRR/C (Monthly Recurring Charges/Cabinet) of ~\$2,400 per month with similar margins. Completion of Atlanta and Grand Rapids could accelerate revenue growth and lower cash burn.

Hawk Vision:



Hawk's Perspective: SWCH is a quality grower and intriguing data center play that should take share but valuation seems to fully reflect this currently and not looking to chase the move, though it could be a potential M&A bet.

Confidence Ranking: \$\$