



FEATURED OPTIONS RADAR REPORT



Large Call Buy Bets on Strong Earnings from Promising New SaaS Star

Ticker/Price: VMEO (\$44)

Analysis:

Vimeo (VMEO) large trade on 7/21 bought 6000 August \$45 calls to open at \$2.70 adjusting back the \$50 calls and ahead of its first earnings report since the spin-off on 8-5. VMEO also has some short August \$55 and \$60 calls in open interest and otherwise has seen no large trades. VMEO has sold off the last two weeks and back near support from June and its VPOC since the spin-off, key to hold above \$42. VMEO may be forming a rising channel with its third higher low leaving room to run up to \$55. VMEO is a SaaS platform for professional video creation, management, and hosting. As opposed to YouTube's advertising model, Vimeo is a subscription model and is levered to the work from anywhere theme and overall rising importance of video. VMEO runs a storage cap pricing model that is transitioning to a seat-based pricing in 2021. VMEO offers an OTT that allows any small business to reach a global audience. VMEO had 1.6M subscribers as of Q1 with enterprise 25% of customers and has shown strong retention rates of 113%. VMEO also has a LTV/CAC ratio above 4X which is very strong. VMEO is investing to improve the business so margins could come under some pressure with the focus on enterprise adoption and growing ARPU. VMEO currently has a market cap of just \$7.45B and trades 12.5X FY22 EV/Sales with revenue growth CAGR at 30%+ through 2025. Gross Margins are seen reaching 75% and Adjusted EBITDA margins of 20%+. Its closest peer group is the Collaboration Software group and Zoom (ZM) is a potential tough competitor. VMEO has over 200M free users so its paying subscriber numbers are way under-penetrated and video in the workplace remains in the early innings. Analysts have an average target of \$55 and short interest is minimal. Jefferies raised its target to \$60 on 7/11 after strong April/May metrics and notes checks showing the company has been on a hiring spree. Cowen has a \$56 target and sees VMEO well positioned to take market share and ramp margins despite increased spending. Piper started Overweight with a \$52 target seeing the \$70B TAM and a long runway for growth.

Hawk Vision:



Hawk's Perspective: VMEO needs to get back above \$47 to clear the selling pressure but also like it down here versus \$42 on a reward/risk basis.

Confidence Ranking: \$\$