

SPOTLIGHT OPTION TRADE



Technical & Fundamentals in Beat Up Internet Growth Company Signal Bottom

TRADE SNAPSHOT

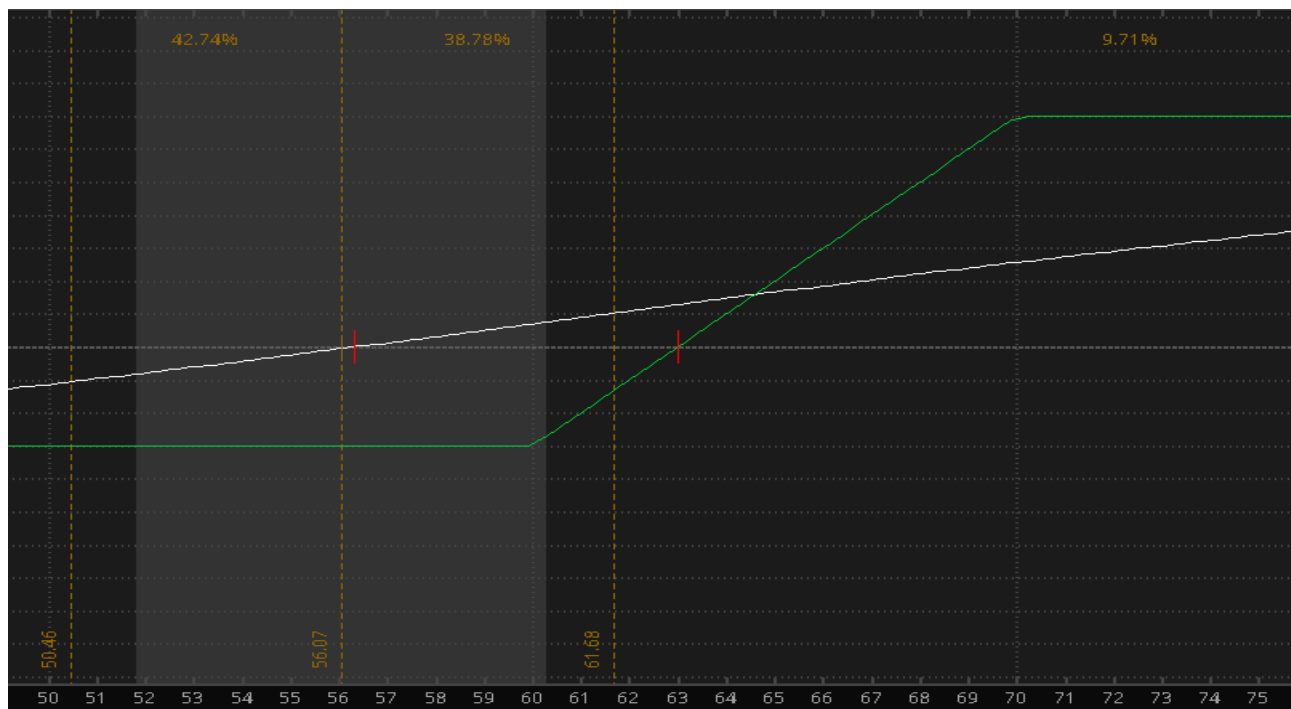
TICKER	Z
SECURITY	Zillow Group
SECTOR	Tech - Internet
CURRENT PRICE	\$56
LONG/SHORT	Long
TARGET	\$80
STOP	\$50
TIMEFRAME	3 Months

Trading Strategy: Long Z June \$60/\$70 Call Spreads at \$3 Debit or Better

Net Debit/Credit: Debit of \$3

Profitability Zone: Z Above \$63 on June OpEx

Options Volatility / Trade Simulator View:





Technical Analysis: Z shares are only -12% with most of its weakness coming in late 2021 when it exited the iBuyer business and a recent strong response to the earnings call where the three-year outlook was provided and shares now pulling back to short-term moving averages. Z's long fall from glory bottomed right back at 2020 levels and a major volume zone of support and notable here is weekly MACD has crossed to positive and increasing the last few weeks, potential inflection of the trend signal. November 2019 and May 2020 were the last two positive crosses which each preceded major trend moves higher.



Fundamental Analysis: Zillow is the leading digital real estate company that is in the midst of a significant, multi-year business model expansion, building on the strong foundation of its established real estate marketplaces and advertising-based revenue model as they move into facilitating real estate transactions and offering related adjacent services. Z has large addressable markets of buying, selling, renting and financing residential real estate in the U.S with a \$19B advertising market now expanding into opportunities like the \$156B origination market and \$32B title & escrow markets. The rental property management services market adds another \$50B market and Z is exploring the \$106B home insurance market, \$3B home warranty market, \$339B home renovation market and \$14B moving services market. Z currently has a market cap of \$10.5B and will continue to face tough comps the next few quarters on the revenue side but profitability is the new story here with EBITDA seen rising 300% in 2022 and 20-30% the three following years. Management is now targeting \$5B in revenues with 45% EBITDA margins for 2025, ambitious, but makes shares very cheap at these levels for a long-term view. A lack of home inventory remains one main headwind while rising mortgage rates could sap buyer demand but Z has navigated markets in the past and continues to expand its platform as a dominant real estate service provider. Z is now focused on improving conversion and driving ancillary revenue attach. Analysts have an average target of \$75 and short interest remains elevated at 14.5% of the float. Benchmark raised its target to \$115 recently seeing shares cheap if margins stay above 40%. Jefferies also has a \$115 target as the company refocuses on core operations and shares trading at a steep discount to traditional averages while announcing a \$750M buyback.

Options Activity:

Date	Description	Volume	Open.Int	Price	Delta	Impl Vo	Prob.ITW	Premium Paid	Symbol	Current Price	Current OI
2/17/2022	Z 100 17 JUN 22 80 CALL	1,610	1,432	\$3.30	0.3	56.19%	19.50%	\$547,400	.Z220617C80	\$1.30	3,035
2/16/2022	Z 100 20 MAY 22 65 CALL	1,435	1,720	\$7.10	0.53	60.51%	40.66%	\$1,018,850	.Z220520C65	\$3.25	3,069
2/15/2022	Z 100 19 JAN 24 60 PUT	1,169	716	\$15.20	-0.32	51.45%	60.47%	\$1,829,485	.Z240119P60	\$16.51	1,931
2/15/2022	Z 100 19 JAN 24 60 CALL	663	192	\$21.50	0.68	56.05%	38.00%	\$1,425,450	.Z240119C60	\$15.99	804
2/15/2022	Z 100 17 JUN 22 40 PUT	1,174	664	\$1.23	-0.09	70.71%	17.09%	\$153,794	.Z220617P40	\$1.82	1,695
2/14/2022	Z 100 16 SEP 22 60 CALL	2,572	1,383	\$10.60	0.59	59.20%	41.33%	\$2,867,780	.Z220916C60	\$7.80	4,713
2/14/2022	Z 100 16 SEP 22 65 CALL	2,020	503	\$8.70	0.51	57.48%	33.82%	\$1,757,400	.Z220916C65	\$6.30	2,541
2/14/2022	Z 100 16 SEP 22 85 CALL	2,061	134	\$3.25	0.26	54.06%	14.34%	\$669,825	.Z220916C85	\$2.20	2,151
2/14/2022	Z 100 19 JAN 24 145 CALL	1,502	625	\$3.70	0.19	51.23%	5.56%	\$555,740	.Z240119C145	\$2.50	1,976
2/8/2022	Z 100 20 JAN 23 60 CALL	2,209	8,442	\$7.11	0.45	57.69%	24.97%	\$1,570,599	.Z230120C60	\$10.30	9,156
2/8/2022	Z 100 20 JAN 23 80 CALL	3,285	5,387	\$3.03	0.25	55.44%	11.25%	\$995,355	.Z230120C80	\$5.25	7,394
2/7/2022	Z 100 20 JAN 23 55 CALL	501	243	\$9.40	0.54	59.32%	31.81%	\$470,940	.Z230120C55	\$12.10	733
2/1/2022	Z 100 16 SEP 22 50 CALL	3,404	116	\$10.05	0.61	61.51%	41.67%	\$3,421,020	.Z220916C50	\$14.30	4,103
2/1/2022	Z 100 18 MAR 22 50 CALL	6,009	331	\$5.35	0.59	66.96%	49.72%	\$3,304,950	.Z220318C50	\$6.87	8,169
2/1/2022	Z 100 19 AUG 22 40 PUT	881	225	\$4.16	-0.23	64.78%	39.71%	\$383,235	.Z220819P40	\$2.45	568
1/31/2022	Z 100 16 SEP 22 45 CALL	345	104	\$12.05	0.67	63.47%	47.82%	\$417,450	.Z220916C45	\$18.50	246
1/28/2022	Z 100 20 JAN 23 45 CALL	1,277	202	\$11.20	0.65	59.84%	41.86%	\$1,430,240	.Z230120C45	\$17.30	1,140
1/27/2022	Z 100 19 AUG 22 45 PUT	769	44	\$7.70	-0.37	63.04%	56.10%	\$592,130	.Z220819P45	\$4.15	706
1/27/2022	Z 100 19 AUG 22 60 CALL	622	211	\$4.30	0.37	60.78%	21.90%	\$267,460	.Z220819C60	\$7.95	802
1/26/2022	Z 100 20 MAY 22 55 CALL	1,587	487	\$5.75	0.492	63.51%	35.42%	\$912,525	.Z220520C55	\$7.33	3,075
1/26/2022	Z 100 19 AUG 22 70 CALL	1,188	160	\$3.55	0.29	58.02%	16.30%	\$421,740	.Z220819C70	\$5.50	878
1/25/2022	Z 100 16 SEP 22 60 CALL	734	382	\$6.60	0.45	61.21%	26.99%	\$480,770	.Z220916C60	\$7.80	4,713
1/18/2022	Z 100 20 JAN 23 60 CALL	1,811	4,005	\$10.10	0.54	56.56%	32.46%	\$1,829,110	.Z230120C60	\$10.30	9,156
1/7/2022	Z 100 20 JAN 23 60 CALL	1,665	644	\$11.71	0.57	57.31%	34.45%	\$2,031,300	.Z230120C60	\$10.30	9,156
1/6/2022	Z 100 19 JAN 24 90 CALL	519	240	\$9.45	0.43	53.56%	17.16%	\$596,850	.Z240119C90	\$8.00	1,730
1/4/2022	Z 100 20 JAN 23 160 CALL	10,001	13,254	\$1.60	0.1	58.98%	2.91%	\$2,180,218	.Z230120C160	\$0.42	12,249
1/3/2022	Z 100 19 AUG 22 50 CALL	213	0	\$19.00	0.77	58.38%	61.01%	\$404,700	.Z220819C50	\$13.60	410
12/29/2021	Z 100 17 JUN 22 75 CALL	5,000	310	\$4.66	0.35	54.45%	22.79%	\$2,330,000	.Z220617C75	\$1.83	5,292
12/29/2021	Z 100 17 JUN 22 65 PUT	2,504	1,782	\$11.40	-0.49	54.04%	64.08%	\$2,854,560	.Z220617P65	\$11.50	4,398

Potential Catalysts: May Earnings

Disclaimer:

Not Investment Advice or Recommendation

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