



## Option Traders See Zoom Regaining Momentum

Ticker/Price: ZM (\$71.60)

### Analysis:

**Zoom (ZM)** IV rising with 1,465 March \$75 calls being bought \$3.90 to \$4.60 to open and volume quickly rising above 2100X. ZM already has size bullish positions in May \$75, \$80 and \$100 calls as well as 2900 of the January 2021 \$150 far OTM calls that were bought. The \$20B growth Tech company focused on video platform communications trades at a high valuation of 38X EV/Sales but growing its topline rapidly at 118% in 2019 and expected 85% growth in 2020 and 42% in 2021. ZM shares have pulled back to \$70 VPOC support and bouncing today with a move back above the 8 EMA regaining some short-term momentum, the longer term base forming calls for a measured move to \$100 on a break above \$80. Zoom pitches itself as simpler and improved video conferencing solution with a focus on being hardware agnostic and being 100% cloud native. ZM also functions globally without license issues and is a built on a powerful open architecture and API that allows faster, easier use across mobile and other platforms. Their subscription-based model offers a lot of visibility and room for cross-selling and growth with their add-on products including Zoom Phone, webinars, and Zoom Rooms. The company operates in a large TAM which IDC expects to hit \$43B by 2022. The company thinks the opportunity is far greater however as they penetrate the services market including areas like home healthcare. ZM has been adding customers > \$100K at a fast rate and early growth initiatives are gaining traction and set to inflect positively into 2020. ZM has seen a lot of smart funds adding in Q3 including Samlyn Capital, AO Asset Management, Gladstone Capital, and Whale Rock. RW Baird lowered its target to \$85 after results in December. JP Morgan kept a \$125 target noting unprecedented growth and has margin scale. Guggenheim started shares Buy in November with a \$90 target as it disrupts the conferencing market. Short interest is high at 23% of the float, but down 40% Q/Q.

### Hawk Vision:



**Hawk's Perspective:** ZM options are pricey but this is a name that can return to \$100 in a heartbeat, and an easy to manage trade versus the 50 MA which recently held as support.

Confidence Ranking: \$\$