



Large Call Buyer in Pivotal Sees Opportunity in Earnings Sell-Off

Ticker/Price: PVTL (\$19.95)

Analysis:

Pivotal Software (PVTL) with a sizable trade late on Wednesday as 3,500 June \$20 calls opened up to \$2.20 for nearly \$800,000 and followed a buyer of 500 April \$19 calls on 3/19 while PVTL still has 3,000 January \$20 calls bought in open interest and 1,800 of the January 2021 \$30 calls. The \$5.45B cloud-software company trades 5.6X EV/Sales and coming off a year of 29% revenue growth with 22% growth seen each of the next two years. On the chart shares have pulled back to retest a recent flag breakout as well as the rising 55 day MA and looking to base. Shares can move out past recent highs and target a run up to \$30. It estimates its market opportunity at \$50B and looks to ride the enterprise cloud transformation wave. The PaaS segment is seen growing to \$29B by 2021 with a 22% CAGR. PVTL is seeing strong subscription growth which is now accounting for over 60% of total revenues and seeing strong customer growth with its land & expand business model and impressive 149% dollar-based net expansion. The transition is also resulting in improving gross margins. Shares sold off last quarter on weaker than expected revenue growth and customer additions but gross margins jumped to 65%. Analysts have an average target near \$25 on shares and short interest is elevated at 10.7% of the float. Dell (DELL) still owns a large \$2.87B stake in PVTL. Needham raised its target to \$28 in December noting robust demand for the PVTL platform as more blue-chip customers adopt new technologies. Goldman downgraded shares to Neutral on 3-6. Steadfast Capital was a top buyer of shares in Q4 and Laurion Capital also bought a new position.

Hawk Vision:



Trading Strategy: PVTL held right where it needed to and the flows along with prior open interest dictate a good opportunity to own a strong software story that trades much cheaper to peers at this level.

Confidence Ranking: \$\$