



Call Buyer in SAP Looks for Software Giant to Rally

Ticker/Price: SAP (\$113.40)

Analysis:

SAP SE (SAP) trading nearly 12X average calls today with 2,500 June \$120 calls opening \$1.75 to \$1.80. SAP has seen some smaller June call buys recently but today's flow will be the most notable line in open interest. Shares are consolidating above the rising 8- and 13-EMA after breaking back above the 200-day MA in mid-March. SAP is nearing a move back above weekly cloud support and has room back to recent highs while long-term channel targets \$130. The \$140B cloud/software leader trades 18.67X earnings, 5X sales, and 43.3X FCF with almost \$9B in cash on hand. Shares yield 1.55% with 5.9% and 12.6% EPS growth and revenue growth of 9.7% and 7.8%. The company held a market's day last month where they outlined plans to expand in Intelligent Enterprise through their big four drivers Qualtrics, Callidus Cloud, SAP Leonardo, and C/4HANA. The latter – their new data management suite -- has seen strong adoption with 10K new licensed customers and 40% customer share with growth in Finance and Professional Services. They see the "Experience Economy" as a \$100B market opportunity through customer experience solutions. C/4HANA offers expansion in Marketing, Commerce, Sales, Service, and Customer Data and significant opportunity to be a share leader by 2023 as it currently is the least-penetrated market by the company. They see €35B in total revenue by 2023 with 80% a more predictable software/services mix, up from 37% in 2007. Analysts have an average target for shares of \$117 with 8 buy ratings and 3 hold. BAML downgraded shares to Hold on 2/4. UBS has a Buy rating for shares citing their impressive cloud growth at scale given their size and opportunities for cash flow growth out 2-3 years. Institutional ownership fell 0.14%. Short interest is 0.25%.

Hawk Vision:



Trading Strategy: SAP is a quality software name at cheaper valuation though want to see it above \$113.50 to avoid a large weekly head and shoulders pattern. It tends to be a more boring name but could make some more acquisitions to bring excitement back to shares.

Confidence Ranking: \$\$