



Nutanix Bulls Position after Kitchen Sink Quarter

Ticker/Price: NTNX (\$37.90)

Analysis:

Nutanix (NTNX) on Monday with another bullish spread as 1,000 July \$42.50 calls were bought in a spread against October \$47.50 calls. We have recently seen similar positioning in July with the \$40 calls having 2,000 in open interest from buys, the \$35 calls with 1,500, and the \$30 calls with 1,300. There have also been buys of 1,675 October \$40 calls and 1,000 October \$45/\$55 call spreads. NTNX does still have some significant put open interest in July and January as well. Shares were hit hard last earnings report and have lagged the strength seen in Software peers. Much of the bullish positioning began after its March 20th Investor Day. Shares have an important support zone in the \$33.50 to \$37.50 zone. The \$6.85B Software company trades 5X EV/Sales and following 36.6% revenue growth in 2018 sees just 11% growth in 2019 and 22% growth in 2020, still far away from profitability. NTNX estimates show expectations for gross margins to jump to 77% this year from 66.6% last year. It has shifted out its goal for \$3B in billings by two quarters to CY21. NTNX core growth is seen augmented by refresh purchases and new products. Analysts have an average target of \$47.50 and short interest is just 4.9% of the float reaching near a two year low recently. Maxim lowered its target to \$58 on 3-22 noting favorable subscription metrics to peers, and strong upsell potential. Jefferies raised to Buy on 3-11 with a \$42 target noting rewards outweigh risks at current valuation. MSCO sees early signs of it rebuilding the deal pipeline and sees sales growth reaccelerating in 1H20. JMP notes the company's plan to boost sales execution that should ease investor concerns. Hedge Fund ownership fell 20% in Q4 filings, Champlain with a new \$100M position and Bloom Tree with a new 4.43% weighted position.

Hawk Vision:



Trading Strategy: NTNX has been one of the few disappointing Software names but giving a nice \$35 level to trade against here for a positive reward/risk relationship.

Confidence Ranking: \$\$