



PTC Software Calls Active into Earnings as Model Transition Takes Shape

Ticker/Price: PTC \$98.50

Analysis:

PTC Software (PTC) with buyers early of 1,000 July \$97.50 calls up to \$7.60 with shares up 2%. PTC is trading 7X average calls and has 900 May \$100 calls in OI from buyers last week. Shares have traded strong since gapping down on earnings in January but now up near their highest level in six months. PTC is moving out of a weekly base which targets 52-week highs around \$107 and a long-term breakout to \$125+. The \$11.46B company trades 9.4X EV/sales and 37.8X cash with 45% EPS growth and sales growth of 13.6% and 17.2% through 2021. PTC is a margin expansion story hitting their highest levels since 2000 last quarter as they transition to a subscription model. The company has been growing out its partner-channel across IIoT and AR, two areas where they've made big investments. Analysts have an average target for shares of \$105 with 12 buy ratings and 4 hold ratings. Mizuho started coverage yesterday at Buy, \$120 PT. They cite strength in their ThinkWorx IIoT platform and the company has "re-energized its legacy Creo computer-aided design business" and anticipates its subscription-based revenue model transition to be highlighted in the coming years. Keybank positive on 4/10 with a \$111 PT with recent reseller checks showing positive tailwinds for their Rockwell (ROK) and Ansys (ANSS) partnerships. Short interest is 3.9% and down from around 9% in 2018. Institutional ownership rose 16% last quarter.

Hawk Vision:



Trading Strategy: PTC has run a bit too much this week to consider a new position and with earnings coming soon one to target on a pullback as these model subscription stories often are mis-read around reports.

Confidence Ranking: \$\$