



Slack Attracts Bullish Bets after Weak Trading Since IPO

Ticker/Price: WORK (\$31)

Analysis:

Slack (WORK) with 1,000 October \$35 calls bought today for \$2.02 in a stock replacement and follows sellers in the September \$30 puts on Friday over 2,500X. The September \$35 calls saw buyers last week while the \$40 calls have over 1600X in OI from 7-23 buys. The October \$35 puts also sold to open 1600X on 7-12 while the August \$35 puts with over 7,000X in OI from sellers which started on 6-27. WORK debuted in June and has traded lower since by nearly 18.5%. Shares put in a strong reversal candle yesterday and just below downtrend resistance at \$32.50 which can setup up a move back to the opening area near \$38.50. The \$16.42B company trades 10.23X EV/sales and 20.7X cash with estimates for 38.8% and 37.3% revenue growth the next two years. WORK is moving towards profitability by FY22. WORK saw 67% revenue growth in Q1 with paid subscribers climbing over 95,000. They have over 10M DAUs. The company continues to invest in platform enhancements like real-time chat as well as third party collaborations to deepen engagement as they look to displace email as a primary form of communication in the workplace. Analysts have an average target for shares of \$39 with 7 buy ratings and 6 hold. Keybank starting at Buy with a \$44 PT on 7-16. The firm thinks revenue could eclipse \$3B within five years and \$10B within ten years. WORK continues to gain share within offices as it becomes the primary method for digital communication. Canaccord with an Outperform rating citing their best-in-class metrics, easy adoption curve, and expectations for it to grow 30%+ free cash flow due to its high gross margins. Barclays sees an \$18B-\$29B TAM. William Blair with a Street High \$46B TAM as they see WORK boosting overall workplace productivity and multiple use-cases. Initial short interest is around 1% of the float. Hamilton Lane, Glynn Capital, and Coastal Investment notable holders.

Hawk Vision:



Hawk's Perspective: WORK is a strong future leader in my view but need to see that post-IPO trend breakout to shift momentum, the large share float and lock-up being overhangs.

Confidence Ranking: \$\$

