



## ZenDesk Calls Active as Shares Recover from Earnings Mis-Step

**Ticker/Price:** ZEN (\$83)

### Analysis:

**ZenDesk (ZEN)** buyers active yesterday for more than 3,250 September \$85 calls up to \$2.10 and follows buyers in the January \$82.50 calls for more than \$1.1M last week, 8-22. ZEN has seen buyers in the January \$80 calls and January 2021 \$115 calls in mid-August while the January 2021 \$95 calls with over 2400 in OI from buys. Shares pulled back recently to the rising 200-day MA where they formed a nice base and working higher now. The gap above runs up to \$90. The \$9.18B company trades 21.5X cash and 12.9X EV/sales with 30.5% and 27.75% revenue growth forecast. ZEN is guiding to over \$1.05/share in EPS by FY21. ZEN is coming off of a mixed quarter with caution over the outlook weighing on shares. They continue to see strong growth with 37% revenue growth and secular tailwinds from a growing \$20B+ opportunity between Customer Services Software and Contact Centers. ZEN has been adding new products including their open CRM platform, Zendesk Sell their foray into sales, and Zendesk Explore their data analytics tool. Analysts have an average target for shares of \$97. Compass Point started at Buy on 8-13 with a \$100 PT. The firm thinks ZEN is well positioned to benefit from the rising importance of messaging, and its Sunshine platform could be a "game changer." The firm thinks ZEN offers industry leading growth along with margin expansion. Jefferies with a \$102 PT on 8-6 noting the uptick in enterprise monthly recurring revenue "should allay concerns about the stalled out progress in recent quarters. Short interest is 5.8%. Hedge Fund ownership fell 13.5% in Q2. Alkeon Capital, Whale Rock, and Tiger Global top holders.

### Hawk Vision:



**Hawk's Perspective:** ZEN recently gave a nice risk/reward spot against the 200-day MA but running a bit and would like to see it set up again before taking a new position.

**Confidence Ranking:** \$\$