



Unusual Call Buying in Bottomline Tech as Valuation Turns Attractive

Ticker/Price: EPAY (\$40.60)

Analysis:

Bottomline Tech (EPAY) unusual early buys 930 October \$40 calls \$2.20 to \$2.60 and activity now quickly over 1000, a name lacking any other notable open interest. EPAY shares went parabolic in 2018 and pulled back in Q4 and have continued to slip in 2019, now sitting near the 144 week EMA and showing some bullish weekly RSI divergences. The \$1.8B provider of payment solutions trades 25.75X Earnings, 4.25X Sales and 31.2X FCF. EPAY expects 6% topline growth in FY20 and 10% in FY21. EPAY is a small player in large and growing markets targeting 15-20% annual subscription and transaction growth and 86% recurring. Digital Banking and Legal Spend are two key focuses. EPAY is growing at a strong rate while also seeing strong profitability, and at its small market cap would make a nice acquisition target. Its Paymode-X is the largest electronic payment network for businesses. Analysts have an average target of \$52 and short interest is low at 2% of the float. Barrington with a \$62.5 target out recently seeing shares undervalued and the recent buyback news validates that opinion. Craig Hallum upgraded to Buy last month with a \$52 target after the earnings report, seeing a re acceleration of revenue and booking growth. Hedge Fund ownership dipped 16.75% in Q2 filings.

Hawk Vision:



Hawk's Perspective: EPAY has a clear recent low to trade against and on a speculative basis I continue to see it as a nice acquisition target with its small market cap, accelerating growth, and operating in a large and growing market.

Confidence Ranking: \$\$