



## Nutanix Bullish Trades as Regains Some Upward Momentum

**Ticker/Price:** NTNX (\$27.35)

### Analysis:

**Nutanix (NTNX)** setting up well under \$28, a major area of resistance since early June, with a breakout targeting the 200-MA above at \$33.80. Shares are looking to peel away from YTD VPOC after consolidating above cloud support for the last month with the 8-, 13- and 20-EMA all starting to slope higher. MACD crossed over bullish recently as well while RSI is above 60 and in a strong trend as shares broke a long downtrend. NTNX has bullish open interest accumulate over the last month with over 6900 January \$32.50 calls bought and spread with sales of the November \$25 puts over 4000X, buyers in the November 22.50 calls, buyers of the January 2021 \$25 calls up to \$8.30, and yesterday 2,000 January \$27.50 calls added at \$2.95 to \$3.10. NTNX also has 2,500 of this week's \$25 calls in OI from a buyer at \$1.90, rolling up the \$24 calls. The \$5.29B software company trades 5.8X cash and 3.65X EV/sales with 28.5% and 28% revenue growth the next two years. NTNX has struggled during their transition to a subscription model but coming off a strong quarter with record margins, a growing pipeline, and some notable 'large' customer wins. NTNX is also increasing the pace of hiring under their new VP of Sales to develop lead generations and help grow billings. NTNX continues to focus on growing in Enterprise. Analysts have an average target for shares of \$37 with 13 buy ratings and 8 hold. Susquehanna upgrading to Positive on 9-9 with a \$45 PT citing more predictable and attractive recurring revenue. William Blair positive on 10-17, "Compared with the first half of the calendar year, most of our VAR contacts were meaningfully more upbeat on their business with Nutanix." Trefis out on 9-5 noting they think NTNX is a prime M&A candidate for Google (GOOGL). The firm notes that while Google released its own "Anthos" hybrid cloud platform in April, it still needs an established player in the data center market to reach out to the private clouds. The firm thinks a purchase price could come around \$9.3B. Short interest is 6.5% and down from around 8% in August. Hedge fund ownership fell 2.5% in Q2. Eminence Capital with a new 3.88M share position.

### Hawk Vision:



**Hawk's Perspective:** NTNX has been showing relative strength to peers recently and the Jan/Nov. risk reversals an interesting structure, M&A a clear potential catalyst here. Shares have become very cheap on EV/Sales and attractive.

**Confidence Ranking:** \$\$