



Pager-Duty Bullish Position as Valuation More Attractive

Ticker/Price: PD (\$23.20)

Analysis:

Pager-Duty (PD) trying to base and next reports in early December, the Dec. \$22.50 calls bought aggressively to open 2000X at \$2.70 to \$2.80 this morning as one of the larger interesting trades today. PD was formerly a favorite name of put buyers but most of the positions have no expired/closed and this becomes the most notable open interest. PD shares started the year strong after its IPO but since have fallen from \$60 to \$23.50, holding above lows the past week. The \$1.77B provider of an on-call management platform is now trading 8.8X EV/Sales with FCF margins seen inflecting over the next two years. PD sees revenue growth of 39% in FY20 and 28% in FY21. PagerDuty was founded by three former Amazon.com developers who were often asked to provide on-call support for their applications. PD is a cloud software company focused on an incident response platform that utilizes the land and expand business model. It is considered a digital nervous system to automate notifications of issues reducing downtime for business, an addressable market estimate at \$25B. Its products help organizations improve operations, accelerate innovation, increase revenue, mitigate security risk, and deliver great customer experience. Analysts have an average target of \$36 and short interest at 10% of the float has come down recently. On 10/15 RW Baird started coverage Outperform with a \$31 target seeing its vision, user reputation, and low-cost low-friction sales model positioning it for sustainable growth. DA Davidson at Neutral with a \$36 target in August noting the value proposition of alerting and responding with multiple secular tailwinds around software and monitoring solutions.

Hawk Vision:



Hawk's Perspective: PD is a name that fell out of favor but now at 8.8X EV/Sales at a high growth rate becoming more attractive, pairing the stock with Dec. \$22.50 puts is a nice approach in my view.

Confidence Ranking: \$\$

