



## TeraData Speculative Calls Accumulate

**Ticker/Price:** TDC (\$26)

### Analysis:

**TeraData (TDC)** yesterday with 1,500 December 2020 \$30/\$40 call spreads bought and saw January \$30 calls add to the 3000 bought on 10/8 with open interest now above 5300X. TDC has also seen 1000 January \$32.5 and 1000 April \$30 calls bought to open. On the bearish side April \$27.5 puts with 1000X bought and 3000 December 2020 \$25 puts opened in November for \$850,000. TDC now has a \$3B market cap and been a poor performer as a provider of hybrid cloud services but the CFO and CMO have bought more than \$900,000 in stock since May. TDC shares are trading 17.7X Earnings, 31.4X FCF and 9.8X EV/EBITDA with EBITDA seen rising 17.8% in 2020 which would be the best since 2012. TDC will speak at the Wells Fargo Conference on 12-2-19. Analysts have an average target of \$31.50 and short interest elevated at 11.5% of the float but trending lower since peaking two years ago. The long term chart shows shares very oversold and back to what proved to be a key support level back in 2016/2017. BMO lowered its target to \$30 earlier this month citing lack of evidence TDC is winning share of new workloads and sees too many moving parts to get comfortable that TDC will grow revenue and FCF the next few years. TDC is currently still exploring a new permanent CEO and authorized a \$500M buyback in August. Gordon Haskett recently noted it was interesting the interim CEO is participating in the company's change of control plan which often drives M&A speculation although a TDC spokesman said the company is not exploring a sale. Cowen cut shares to Perform on 11/8 after the abrupt departure of the CFO and weak Q4 guidance, concerns with pipeline trends and confidence in the company's model. BAML cut its target to \$33 from \$48 noting the difficult business model transition and leadership changes weighing on revenues, margins and FCF near-term. Hedge Fund ownership rose 7.78% in Q3 filings, Victory and Oakview with new positions.

### Hawk Vision:



**Hawk's Perspective:** TDC is a complete mess and not a great business, so I tend to avoid, but there is some intrigue here on M&A potential and trough valuation/sentiment. It would not surprise me to see the Company explore a sale despite it saying it would not.

**Confidence Ranking:** \$\$