



Salesforce Bulls Position for Turnaround Summer

Ticker/Price: CRM \$133

Analysis:

Salesforce (CRM) yesterday with 1900 June \$145/\$105 bull risk reversals opening for \$4.30 debit and follows 1275 May \$150 calls bought on 3/27 and 2,000 June \$160/\$125 bull risk reversals bought on 3/23. CRM has also seen over 5,000 June \$150 calls bought since 3/13 while the May \$155 calls with over 12,000 accumulating. Shares are down around 30% from the recent highs and failing this week to make a concerted push through the declining 20-MA. CRM held the 2018 lows around \$120 recently and remains in a strong longer-term uptrend above trend support from the 2016/2017 low. The \$127B software leader trades 7.4X EV/sales and strong balance sheet that is net cash by more than \$3B with solid FCF. CRM sees mid-20% EPS growth and high-teens revenue growth the next two years, although concern over potential for business transformations or spending to slow down due to COVID-19 in the near-term. CRM is positioned with 93% deferred revenue giving them better long-term visibility while the majority of contracts, especially high-dollar deals, are signed for multi-year periods, so the company noting recently they expect minimal disruption. CRM has long been an M&A-focused company but the departure of co-CEO Keith Block, the primary dealmaker, may make them slow down in the near-term and focus on integration and expanding margins which many view as a net positive in the current environment. Analysts have an average target for shares of \$199.50. Argus with a \$215 PT on 2-27 positive on the company's positioning to exploit the secular trends in enterprise software toward enterprise digital transformation focused on customer experience and software-as-a-service cloud solutions. Raymond James with a \$230 PT noting the Vlocity acquisition gives them a broader presence in a number key verticals and looks like a home run. Short interest is 1.5%. Hedge fund ownership rose 1.8% in Q4. Polen Capital a big buyer of 3M shares. Director Susan Wojcicki a buyer of stock on 3/24 at \$150.42.

Hawk Vision:



Hawk's Perspective: CRM is tough because while it is one of those companies you'd love to buy and hold for the long-term, they're undoubtedly going to have problems in the near-term as companies and SMB pull back on spending. I'm a bystander at this time for either more constructive price action and news flow or a move back near the March lows and closer to those short puts for a longer hold

Confidence Ranking: \$\$