



Zen-Desk Bulls Position for Strong 2020

Ticker/Price: ZEN (\$72.35)

Analysis:

Zen-Desk (ZEN) buyer yesterday of 800 August \$75 calls for \$7.80 to \$8 and follows a buyer of 750 October \$70 calls on Friday for \$9.60. ZEN has also seen a buyer of 500 Jan. \$55 calls on 4/8 for more than \$900,000 while the July \$100 calls have 1000X in OI from February. Shares are back above the 50% retracement of the move lower from the February high with YTD VPOC above at \$84.50. The \$8.24B company trades 10.3X EV/sales and 17X cash with expectations for 75% EPS growth and 26.5% revenue growth in FY20. ZEN is focused on expanding their product suite including multi-platform support and sales, messaging, and more. They see a huge and expanding TAM opportunity as they build into adjacent markets while also diversifying their client mix with more enterprise contracts which have more than 3X LTV/CAC than small business. ZEN could see strong tailwinds in a post-COVID world as customer/retailer relationship is in focus and adoption of cloud-based digital support systems grows. Analysts have an average target for shares of \$96. RBC with a \$100 PT positive on its Sell and Conversations products having a "meaningful" tailwind. BAML positive on 4/15 citing checks with partners. "Feedback suggests some slowdown in lead volume. However, renewal/upsell deals remained solid, from healthy upsell/cross sell activity for Sunshine, driven by demand for the new conversations tool. We also noted some uptick in the Sell CRM offering sold into renewals." Short interest is 7.5%, up from 6% in late 2019. Hedge fund ownership rose 13% in Q4. Whale Rock Capital, Polar Capital, Corvex, EMS Capital, Tiger Global, and Jericho Capital all notable holders

Hawk Vision:



Hawk's Perspective: ZEN working out of a nice basing pattern and continues to like it since the last write-up as a potential M&A target in a consolidating group.

Confidence Ranking: \$\$