



## Bearish Bet in Coupa on Valuation Worries

Ticker/Price: COUP (\$131.55)

### Analysis:

**Coupa (COUP)** implied volatility ran higher late in the session on 4/1 as more than 2000 May \$135 puts were bought to open ITM up to \$15.70 from initial offer buys at \$15. COUP recently with 600 April \$130 puts bought as well and otherwise minimal notable open interest the next few months, the June \$170 short calls with 2000X remaining. COUP has held up well compared to the market and its low in March coincided with a 38.2% Fibonacci retracement of its lifetime range. Shares are currently consolidating below the 200 day MA and a broadening pattern projects the next move lower to potentially retest \$95 from a flag breakout in early 2019, a move under \$120 a potential trigger point. The \$8.8B software company is focused on its cloud-based spend management platform and at 17X EV/Sales remains one of the higher premium valuation names remaining in the market. It is targeting a \$56B TAM and sees a clear path to \$1B in revenues. In the long-term it sees 80-82% gross margins, decreasing S&M and G&A expenses, operating margins of 25-30% and FCF margins of 30-35%. Analysts have an average target of \$140 and short interest is elevated at 16% of the float. Piper cut shares to Neutral this week on valuation and sees investor optimism priced into shares at this point. Needham lowered its target to \$136 seeing the company in the early innings and executing well, but the whole group likely to face multiple compression with the uncertain macro driving a potential cut in tech spending. Hedge Fund ownership rose 6.2% in Q4 filings, the top position for Whale Rock.

### Hawk Vision:



**Hawk's Perspective:** COUP could see a move back to the lows and rejected at the 50 MA as a level to be short against, trigger level at \$121 currently.

**Confidence Ranking:** \$\$