



## Unusual Upside Call Buying in Progress Software

Ticker/Price: PRGS (\$38)

### Analysis:

**Progress Software (PRGS)** unusual 875 September \$45 OTM calls opening early \$1.15 to \$1.43 and in the opening 45 minutes now approaching 1450 contracts up to \$1.75 as IV rises in September, a name that will next report in late June and lacks notable open interest. PRGS made a strong move in January up near new highs and pulled back sharply in March, unable to recover as much as other Software peers and stuck in a range the last few weeks. Shares could see strong momentum on a move back above \$40. PRGS will hold its ProgressNEXT 2020 event on 6-14. The \$1.67B software Co. trades 13.2X Earnings, 4.2X EV/Sales and 16X FCF with a 1.78% yield, and unlike peers does carry plenty of debt. PRGS is a leader in application development and digital experience technologies to help enterprises building mission critical tools for IT operations. PRGS has a strong recurring model and has seen strong FCF and improving margins. It aims to double the size of the company within five years and actively seeks accretive M&A deals. PRGS' three operating segments are OpenEdge, Application Development/Deployment, and Data Connectivity & Integration. It announced an expanded collaboration with Microsoft Azure on 5/6. PRGS is coming off a strong quarter and sees little impact from COVID19, its deal for Ipswitch has performed very well. PRGS was mentioned as a Thomas Bravo takeover target back in 2016. Analysts have an average target of \$44 and short interest is low at 2.3% of the float. Benchmark raised its target to \$57 earlier this year noting the new strategy by management using M&A to drive growth and operating margin leverage, but overall not a lot of coverage. Hedge Fund ownership rose 8.2% in Q1 filings.

### Hawk Vision:



**Hawk's Perspective:** PRGS looks good versus recent lows as it appears to be in the sweet spot for the new environment and acceleration in Tech spend, a sneaky value in Software.

**Confidence Ranking:** \$\$