



## SmarSheet Calls Position for Breakout as WFH Policies Add Support

**Ticker/Price:** SMAR \$51.75

### Analysis:

**SmartSheet (SMAR)** with buyers early for 1,500 May \$55 calls up to \$1.65 into weakness and now volumes running over 3,500X, more than 10X average. SMAR has limited open interest but did see some May \$45 calls bought recently while the November \$50 puts sold to open in smaller lots. The August \$50 and \$55 calls also with smaller buys that remain in OI. Shares are flagging in a nice bull flag over the last two weeks just below new highs. A move above \$55 has a measured target to \$61 but a lot of longer-term upside as it clears into some space. The \$6.7B software company trades 15X EV/sales and 11.85X cash with limited debt and a 2.7X Current Ratio. SMAR is guiding to low-30% revenue growth in FY22 and FY23. SMAR is coming off a strong quarter with 58% billings growth and strong dollar-based net retention of 135% which was the highest in four quarters. Average contract size also continues to grow, especially as they add more >\$100k customers. The company provides cloud-based collaboration software for enterprise teams and clearly a beneficiary of the current Work-from-Home policies. They have a deep bench of current clients and likely see more pull-forward in adoption as the return to work is likely more prolonged than expected and more companies adopt looser workplace restrictions going forward. Analyst have an average target for shares of \$49. JP Morgan downgrading to Neutral on 4-23 citing valuation and risk/reward after the recent run. Canaccord with a \$45 PT and likes its strength in its retention and upselling to existing customers. BMO starting at Buy in January as collaborative application software will experience "healthy growth" as digital transformation initiatives proliferate across the enterprise. Short interest is 10% and up from 7% in February. Hedge fund ownership rose 2.85% in Q4. Coatue, Brown Capital and Tremblant all notable buyers.

### Hawk Vision:



**Hawk's Perspective:** SMAR sets up well and clear risk/reward, alert set for \$53.50 to see if it can get some momentum.

**Confidence Ranking:** \$\$