



## DocuSign Put Sales Show Willingness of Buyers on Dips

**Ticker/Price:** DOCU (\$163.7)

### Analysis:

**DocuSign (DOCU)** with 1,935 January 2022 \$145 puts sold to open today for \$28.50 in a stock replacement, common theme in the name lately with the January 2022 \$130, \$125, and \$100 puts all sold in size in early June. DOCU has also seen some smaller, higher dollar call buys recently in the December \$185 calls and Sept. \$180 calls. DOCU has gone parabolic since March with COVID-19 seemingly accelerating a massive shift towards contactless document work. Shares have not closed below the 20-day MA since 4/3 with the 8-day strong support as well and both key areas of interest on a pullback at \$152.50 and \$141.50. The \$29.5B company trades 39X cash and 21.5X EV/sales with expectations in FY22 and FY23 for 25%+ growth. DOCU is coming off a record quarter with strong beats across revenue, billings, and customer adds. They also continue to see big ACV deals for their cloud management platform as companies move away from legacy vendors. DOCU IPO'd in 2018 estimating their TAM to be around \$25B but noted last week at the William Blair Growth conference they believe that number is now actually double that figure given expansion into new verticals like healthcare, life sciences, and government services. The company also thinks their multi-faceted Agreement Cloud is a game-changer as it expands their services beyond just signature-gathering to document storage and processing throughout the life-span of an agreement like mortgages. DOCU has a focused a lot on new products and added functionality with Agreement Cloud which will be a huge tailwind to retention and client adds in 2020 and beyond including 'smarter contracts' which will facilitate advanced analytics and AI to add search functionality across cloud for clients. Analysts have an average target for shares of \$118.50 and RBC a Street High \$170 as they think demand trends look durable, and its pipeline appears "strong." JP Morgan with a \$150 PT noting that DOCU has seen its adoption curve permanently change due to COVID-19 and compares it to Zoom (ZM) in how it has become so ubiquitous and necessary in the Work-from-Home world. Short interest is 4% and down from 8.5% in October. Hedge fund ownership rose 3% in Q1. Whale Rock Capital a buyer of 1.85M shares in a new position.

### Hawk Vision:



**Hawk's Perspective:** DOCU has long been a favorite and a set-up from last week that played out well and trimmed into this move, but the flow indicates to be a buyer on correction dips, which I agree with seeing the opportunity.

**Confidence Ranking:** \$\$