



## FEATURED OPTIONS RADAR REPORT



### Paycom Call Buyers See New Highs in Post-COVID World

**Ticker/Price:** PAYC (\$314.75)

#### Analysis:

**Paycom (PAYC)** buyer of 400 August \$330 calls to open \$26.50 to \$29.40 for around \$1M. PAYC has not seen much notable size option trades but has seen upside buys in August and January calls this year with smaller sized open interest. PAYC shares are forming a nice coiled bull flag just under the upper value level for 2020 and the highs from earlier this year. PAYC will next report in late July. The \$19.2B software company is focused in the HCM space, and provides functionality and data analytics that businesses need to manage the complete employment lifecycle, from recruitment to retirement. PAYC offers a highly scalable cloud solution and targets businesses with 50 to 50,000 employees. PAYC trades at a premium valuation of 18.5X FY21 EV/Sales and generating revenue growth of 30-31% per year the past three years. PAYC ranks at the tops for key fundamental metrics like incremental operating income/revenues, high % of recurring revenues, high US exposure, and strong operating margins. Analysts have an average target near \$245 and short interest at 5.3% of the float has risen 30% Q/Q. Mizuho raised its target to \$210 on 4/29 after results came in above consensus, OpCo upped to \$250. Cantor sees potential for increased market penetration and margin improvement. Investors view Paycom's focus on Direct Data Exchange (self-service) a critical differentiator. This is likely to gain traction in a post COVID world, given its inherent impact of lowering the overall cost of HR. Bears focus on rising unemployment a factor that could weigh on results moving forward. Hedge Fund ownership jumped 11.2% in Q1 filings.

#### Hawk Vision:



**Hawk's Perspective:** PAYC is a top software name in HCM and continue to like it though some high valuation names may need some time to cool down, it remains one to own on dips, and also want to ensure OI adjusts higher for all the trades today.

**Confidence Ranking:** \$\$