



Bulls Buy Calls in Splunk on Breakout

Ticker/Price: SPLK (\$194)

Analysis:

Splunk (SPLK) a bull flag breakout today seeing some size activity with 500 February \$230 calls opening \$14 to \$14.30 and 500 January 2022 \$220 calls opening \$27. SPLK has seen minor positioning lately outside of some large January 2021 and 2022 buy-writes with \$220 and \$230 strikes. The current flag breakout measures for around a fifty point move higher. The \$29.6B software company trades 12.7X FY21 EV/Revenues. SPLK has positioned as a leader in the hot cloud monitoring industry with its SignalFX deal last year. SPLK is a leader in cyber infrastructure tools (namely data/log analytics) offering both on-premise and cloud-based versions of its core product as well as premium add-on solutions covering a growing list of niche use cases. It has been making strategic acquisitions to expand its platform while also transitioning to the cloud model. SPLK has been benefiting from the strong growth in usage and consumption of data from its customers. Its Data-to-Everything platform enables users to investigate, monitor, analyze and act on data regardless of format or source. Data is produced by nearly every software application and electronic device across an organization and contains a real-time record of various activities, such as business transactions, customer and user behavior, and security threats. Splunk has partnerships with mega tech companies like Google, AWS, and Cisco. Analysts have an average target of \$177 and short interest is 5.4% of the float. Wells Fargo raised its target to \$250 this morning, citing a positive outlook on the sustainability of growth of the core Splunk Enterprise index and the shift to Splunk Cloud, combined with its natural expansion into data streaming and unbounded learnings as well as federated search. Argus upped its target to \$215 on 5/26 noting the business model transition that should ultimately spur both revenue growth and margin expansion. Hedge Fund ownership jumped 7.4% in Q1 filings, Champlain and Westfield notable top holders.

Hawk Vision:



Hawk's Perspective: SPLK has been a top Software pick all year and continues to look great after highlighting the chart last Friday, a name that could be a splashy M&A target.

Confidence Ranking: \$\$