



FEATURED OPTIONS RADAR REPORT



Bullish OTM Calls Hot in ZenDesk

Ticker/Price: ZEN (\$103.70)

Analysis:

Zen-Desk (ZEN) buyers of more than 1,000 January \$120 calls today up to \$5 and follows buyers in the October \$105 calls over 2300X and put sales across the January 2021 and January 2022 options in the last month. ZEN still has near 2,000 January \$115 calls in OI as well from buyers in 2019 for more than \$1M. Shares are working back near the 2020 highs today around \$108 with a range breakout targeting a run to \$125. ZEN is also in the early stages of a big monthly breakout above \$95 that stretches back to early 2019. The \$11.45B company trades 11.45X cash and 13.1X EV/sales with mid-20% revenue growth. ZEN has seen an uptick in demand during the pandemic as elevated levels of e-commerce are driving higher engagement levels and more companies look for easier, frictionless solutions to manage customer interactions. They are seeing improving trends for their analytics package and omnichannel bundle Zendesk Support Suite while some overall softness continues with some SMB contracts being adjusted or extended out into 2021. ZEN is a key player in a fast-growing niche of digital-first customer engagement with significant long-term opportunity as more companies look to cut costs and improve customer retention. Analysts have an average target for shares of \$102 and Piper recently out with a Street High \$123 PT. The company sees several underappreciated levers that could spark a demand recovery into 2021 such as improving international execution, transactional business stabilization in H2, and increasing direct-to-consumer use cases. The firm also thinks their long-term billings growth is set for a recovery despite exposure to travel and hospitality and they could benefit from the search for strategic M&A and the company could complement the cloud portfolios of MSFT, ADBE, NOW, or SAP. Short interest is 8.5% and near recent highs. Hedge fund ownership fell 11% in Q2, Whale Rock Capital the top holder with 2.96M shares.

Hawk Vision:



Hawk's Perspective: ZEN is a quality name in a great space (see FIVN yesterday), and Whale Rock is a top investor to follow, so this action is definitely interesting. RNG also seeing some upside April calls trade.

Confidence Ranking: \$\$