



FEATURED OPTIONS RADAR REPORT



Five-9 Bulls Position for 2021 Upside

Ticker/Price: FIVN (\$128)

Analysis:

Five-9 (FIVN) interesting smaller action today but good-sized dollar trade with 325 April \$140 OTM calls bought to open \$13.20 to \$13.80. FIVN has been a long-time best-in-class software name screening healthy across key metrics but one that sees very little options flow, the November \$115/\$100 put spreads are in OI 1380X as a likely hedge. FIVN has a strong weekly chart trend and tested the rising 21 week EMA on lows in August and September, holding both times, and now setting up for a range breakout that can target \$150 or higher. The \$8B company is a play in cloud contact centers and trades 17.5X FY21 EV/Sales with revenues growing 28.7% and 27.3% the last two years and 22% growth expected this year. FIVN has strong FCF margins and R&D as a percentage of sales is above 13%. FIVN is disrupting the customer service industry and sees cloud penetration at 15% of the contact center software market, a market estimated at \$24B. It sees an additional \$34B market opportunity in automated contact center labor spend. FIVN has a large opportunity with multiple vectors for growth and a strong business model with 92% recurring revenues, low concentration of customers and 105% retention rates, a Rule of 40 leader. FIVN also landed a key AT&T exclusive deal that will be a contributor in 2021. Analysts have an average target of \$135 and short interest is 5.9% of the float. Piper with a bullish initiation on 9/9 with four key notes: 1) Work from anywhere, an increase in cloud applications and online transactions, and multi-channel service approaches will drive CCaaS market adoption; 2) Five9 has created a strong ecosystem with cloud peers across CRM, WFO and UCC; 3) Five9's AI driven approach with its best of breed solution and multiple monetization methods create differentiation in the marketplace; 4) Our current assumptions are rather conservative given the recent acceleration across leading metrics. In addition, we view Five9 as a strategic asset with a best-of-breed solution within the communication software stack. Dougherty positive in August noting "Five9's partnerships (SIs, AT&T) are positioned as the catalyst to drive new enterprise wins into FY'21 and beyond." JPM raising its target to \$157 also positive on its key growing partnerships. Hedge Fund ownership fell 11.7% in Q2 filings, Whale Rock a notable top holder added to its position.

Hawk Vision:



Hawk's Perspective: FIVN is one of my favorite long-term names and an \$8B market cap leaves a lot of room for upside in coming years.

Confidence Ranking: \$\$