



FEATURED OPTIONS RADAR REPORT



Elastic Bulls Extends Large Bullish Bet

Ticker/Price: ESTC (\$120)

Analysis:

Elastic (ESTC) with a large adjustment on 10/15 as 1,297 January \$120 calls bought to open at \$14 while closing the October \$95 calls at \$27.60 after paying \$15.70 back on 8/20. ESTC does not have a lot of other notable open interest. ESTC lagged software peers from July 2019 to Q1 2020 but shares have more than doubled since the March low and nearing a 138.2% Fibonacci extension at \$130, the next target is \$145. ESTC focuses on data visualization, search and analytics across various sources and formats. They operate within a massive \$45B TAM which taps into some mega-themes in tech like IoT, cloud, and AI/machine learning. The \$10B company now trades 14.4X EV/Sales with revenues seen growing 25-30% per year in 2021 and 2022 after 69.9% and 57.4% growth the previous two years. ESTC hosted an Analyst Day on 9/15 and noted its TAM is set to reach \$78B in 2021 and it is seeing rapid customer growth while SaaS is still just 22% of total revenue. Analysts have an average target of \$128 and short interest is elevated at 9.4% of the float. RBC raised its target to \$140 this week citing management highlighting the breadth of its platform and margin expansion opportunities. Citi raised its target to \$146 in August seeing attractive set-up for many quarters to come on conservative guidance. Hedge Fund ownership declined 4.3% in Q2 filings, notable top holders include Tiger Global, Jackson Square, and Carmignac Gestion.

Hawk Vision:



Hawk's Perspective: ESTC is a name that got really cheap in March and we started seeing some large bullish option trades that recently cashed in. This is a newer trade letting some profits ride and I continue to like the ESTC niche offering and think its one of the more attractive M&A targets in software.

Confidence Ranking: \$\$