



FEATURED OPTIONS RADAR REPORT



Big Bulls Buy the Dip in Salesforce

Ticker/Price: CRM (\$223)

Analysis:

Salesforce (CRM) shares have dropped 15-20% since announcing a major M&A deal for Slack valuing it at \$27.7B in cash and stock and in recent days large bullish option traders have come back in buying the dip. On 12/10 the October \$240 calls active with buyers of more than 2500 contracts for over \$6M as well as a buyer of 1000 May \$240 calls at \$1.6M and opening sales of 1000 September \$190 puts. ON 12/8 the September \$240 calls opened 6500X for over \$16M. CRM also recently posted another very strong beat and raise quarter but the results were ignored due to the buyout focus though CRM has a long history of integrating acquisitions well and its M&A call was very enlightening on the potential for Slack in the CRM universe. CRM remains firmly in a long-term uptrend and the dip is a 38.2% retracement of the 2020 range as well as holding right at the rising 21-week moving average, so a spot that makes sense to buy the dip in a leader in the massive digital transformation opportunity. CRM has a \$197.5B market cap and trades 9.3X FY21 EV/Sales while delivering consistent 20%+ topline growth as well as a recent surge in EPS due to operating leverage. Analysts have an average target of \$275 and short interest low at 1.5% of the float. CRM announced it plans on doubling revenues to above \$50B in four years. Canaccord noting this week that the pullback makes valuation compelling and has a Buy rating and \$270 target. Citi cut shares to Neutral on 12-2 concerned with the price it paid for Slack and sees concerns over organic growth surfacing. UBS lowered its target to \$300 though noting the rich price paid for Slack and synergy story not convincing. Hedge Fund ownership fell 6.4% in Q3 filings, Polen a top holder added to its position, while Altimeter, Winslow and Sustainable Growth modestly trimmed positions.

Hawk Vision:



Hawk's Perspective: CRM is the best-run Software company in the World so I trust their vision, and it is at the perfect spot to base, so think the September or October calls are worth sitting on for months and letting it play out.

Confidence Ranking: \$\$\$