



FEATURED OPTIONS RADAR REPORT



Dynatrace Calls Unusually Active Betting on Upside

Ticker/Price: DT (\$42)

Analysis:

Dynatrace (DT) buyers active in the February \$41 calls this morning, now over 5600X up to \$4.70 in price and trading more than 10X average calls. DT does not see a lot of activity but does have 1350 December \$40 calls in OI. Shares are working out of a bull flag today and a multi-month downtrend with a run above \$42 setting up for a potentially explosive move to new all-time highs. The \$11B software company trades 44X cash and 16X EV/sales with mid-20% growth. DT has a multi-faceted cloud-monitoring platform that allows enterprises to operate multi-cloud environments across apps, web browsers, databases, and more. DT has seen their growth explode in 2020 as the pandemic has shifted more companies into the cloud and workloads across applications are expanding. The company said ARR rose 35% with subscription revenue up 36% as they added over 130 new logos in Q2 including Pfizer and Quest Diagnostics. DT has a long runway for growth with 86% of CIOs utilizing modern architectures including cloud, microservices and containers which drives more complex and frequently changing environments to monitor. The company said at their Investor Day earlier this year their TAM has expanded in the last 18 months from around \$20B to \$32B and likely grows further in 2021 as more budgets allocate towards observability platforms. Analysts have an average target for shares of \$45.50 and a Street High \$55 from RBC. Berenberg positive on 10/7 noting that DT is in a strong position to win as observability becomes more prevalent in IT budgets in 2021 and their focus on complex, enterprise cloud architectures should give them momentum over peers. Short interest is 3.75%. Hedge fund ownership rose 25% in Q3.

Hawk Vision:



Hawk's Perspective: DT operates in a great software space and a long-time favorite with a market cap small enough it could be a M&A target, exploded higher today after initial alert and worth eyeing on a dip.

Confidence Ranking: \$\$