



FEATURED OPTIONS RADAR REPORT



Large Bull Spreads See Long-Term Upside in C3.AI

Ticker/Price: AI (\$59.20)

Analysis:

C3 AI (AI) shares are down 57.5% YTD but starting to see some interesting longer-term trades that make it worth taking a closer look at growth Tech company. Last week AI saw January 2023 \$60/\$30 put spreads sell to open 4000X while 1000 January 2023 \$40 calls were bought for \$2.785M and 3000 January 2023 \$50 calls bought for nearly \$7M. AI does still have some short October \$75 and \$85 calls in OI from April trades as well. AI shares may be forming an inverse head and shoulders bottoming pattern and showing some positive RSI developments, though \$64.20 and \$69.75 are two levels to clear which would target near \$77 as VWAP off the February highs. AI focuses on enterprise artificial intelligence software with their C3 AI Suite a massive platform that allows users to design and deploy AI applications. AI primarily acts as a Platform-as-a-Service company that allows SaaS applications to be built on top of it. But, they've expanded their portfolio into pre-built SaaS applications, AI CRM solutions, and no-code AI and analytics software solutions. Their end-market usage is wide with applications across financials, healthcare, and energy where AI platforms have been used to build predictive models for maintenance of rigs. AI sees a \$271B TAM by 2024 for their PaaS model, growing from \$174B in 2020 – this is broken down further into a \$44B market for enterprise AI software, an \$82B market for infrastructure software, and a \$145B market for applications. The \$5.73B company currently trades 24.6X FY22 EV/Sales and 18.3X FY23 with revenues growing 71% in 2020, 17% in 2021 and seen rising 30-35% annually the next three years while profitability remains years out. AI's growth disappointed a bit in Q4 but customer count jumped 82% Y/Y. AI was most excited about AI CRM which represents the next generation of the now \$80 billion addressable CRM market it intends to lead. Analysts have an average target of \$100 and short interest is high at 18% of the float, rising 430% Q/Q. Needham cut its target to \$146 on 6/3 seeing business momentum accelerating post-pandemic and sees AI becoming the default platform for Enterprise AI.

Hawk Vision:



Hawk's Perspective: AI is a fascinating name set up for accelerating growth, although valuation remains rich, above \$62.25 a first level to consider it versus \$56.

Confidence Ranking: \$\$