



FEATURED OPTIONS RADAR REPORT



Risk/Reward Seen Favorable in Spend Management Software Co. with Valuations/Expectations Reset

Ticker/Price: COUP (\$138.40)

Coupa (COUP) with a large trade on 1/5 that opened 3000 January 2023 \$175/\$125 bull risk reversals for a net credit, willing to be long shares at \$125 but seeing an attractive reward/risk into the recent high growth sell-off. COUP has previously seen 2000 January 2023 \$200 puts sold to open and has 4000 January 2023 \$300 short puts in open interest. COUP has been selling off with the rest of Software but is showing a bullish RSI divergence on the daily. The long-term chart has shares extremely oversold and back to a major volume zone from 2019-2020 with \$126.5 indicated as critical support. COUP is the market leader in BSM which is a \$56B opportunity while it also has large opportunities with Coupa Pay and Supply Chain Management. Coupa provides an integrated SaaS offering across various workflows: Procurement, invoicing, expense management and most recently payments. COUP has multiple growth levers and its operating margins have expanded nearly every quarter the last few years and sees a long-term vision of 25-30% versus the current 8% rate. Coupa Pay is seeing strong traction and it intends to win the majority of the market, aiming for 70%+. COUP has a market cap of \$10.55B and trades 15.7X EV/Sales with revenues seen rising 20-25% annually the next few years as growth decelerates from a 40% CAGR. COUP spoke at the Needham Conference last week where it discussed its successful integration of the LLamasoft deal, the largest in the company's history and management was very positive on the outlook for spend management software. Analysts have an average target of \$220 and short interest is 8.8% of the float. MSCO calls COUP a preferred name with depressed valuation and expects a return to 30% organic billings growth to rerate shares higher. Goldman started coverage on 12/13 at Buy with a \$251 target as a category leader still early in penetrating its business spend management TAM. Coupa's ecosystem and ML intelligence embedded in Community (i.e. real-time benchmarking of spend behavior by analyzing trillions of dollars of spend) create a flywheel effect as more data creates a better product and customer experience. Coupa is levered to digital transformations, specifically those in the back office / ERP. Goldman also sees Coupa Pay accelerating with investor expectations reset. COUP also has strong unit economics with LTV/CAC of 4.6X one of the best in software.

Hawk Vision:



Hawk's Perspective: COUP at 16X could still see additional downside but as it nears the \$125 short put strike it could find bottom and is a top-quality name of the high-growth software plays.

Confidence Ranking: \$\$