



## FEATURED OPTIONS RADAR REPORT



### Large Call Buy into Earnings for SaaS Leader with Reset Expectations

Ticker/Price: COUP (\$211.55)

#### Analysis:

**Coupa (COUP)** traded 2X daily calls on 8/18 with large trades buying 2000 September \$220 calls \$8.70 up to \$9.90 in aggressive offer sweeps ahead of its earnings report on 9-7. COUP recently had 2000 January 2023 \$200 puts sold to open though otherwise trading has been quiet. COUP has been a major Software laggard since breaking down in March and now sits at a 61.8% Fibonacci retracement from the March 2020 low to 2021 high at \$205 with shares very oversold. 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. 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%+. Coupa also announced a key \$1.5 deal for Llamasoft in November expanding it into supply chain and network planning software. COUP has a market cap of \$15.4B and despite shares down 38.5% this year still trades 24X EV/Sales with revenues seen rising 25-30% annually the next few years. COUP hosted an Analyst Day in July and Coupa Pay seen as a potential \$650M+ revenue opportunity by FY27. Management also increased its TAM estimate to \$94B from \$56B reflecting the opportunities for Pay and Supply Chain. Management specifically called out a number of areas on product roadmap including supply chain financing, expense payments, and potentially becoming a card issuer, money mover, or even a payment facilitator outside of the Coupa ecosystem much farther down the road. COUP may set up well now with accelerating organic billings growth on easier comps and a better demand environment. The company kept most of its financial targets unchanged, except for its adjusted FCF margins mid-term target which increased to 15%+ from a range of 10-15%. Analysts have an average target of \$280 with short interest elevated at 9% of the float. RBC cut shares to Perform this week on valuation with a \$210 target with concerns about the true size of COUP's opportunity. Arere upgraded to Buy on 8/11 expecting better 2022 deal flow and a significant opportunity in procurement with accelerated growth for years to come. MSCO with a lowered \$345 target after the Analyst Day in July noting the core business is worth \$200/share, so you are essentially getting the Pay business free at these levels. Hedge Fund ownership fell 5% last quarter, Lone Pine added to a large position as did Viking Global and Durable Capital.

#### Hawk Vision:



**Hawk's Perspective:** COUP is an ugly chart and concerning underperformance but also appears to be setting up for a resurgence with valuation well off extremes and nothing about the story has changed, if anything, the opportunity has grown in size.

Confidence Ranking: \$\$