

## SPOTLIGHT OPTION TRADE



### Salesforce Setting Up for Late Year Push, Large Gamma Exposure into OpEx

#### TRADE SNAPSHOT

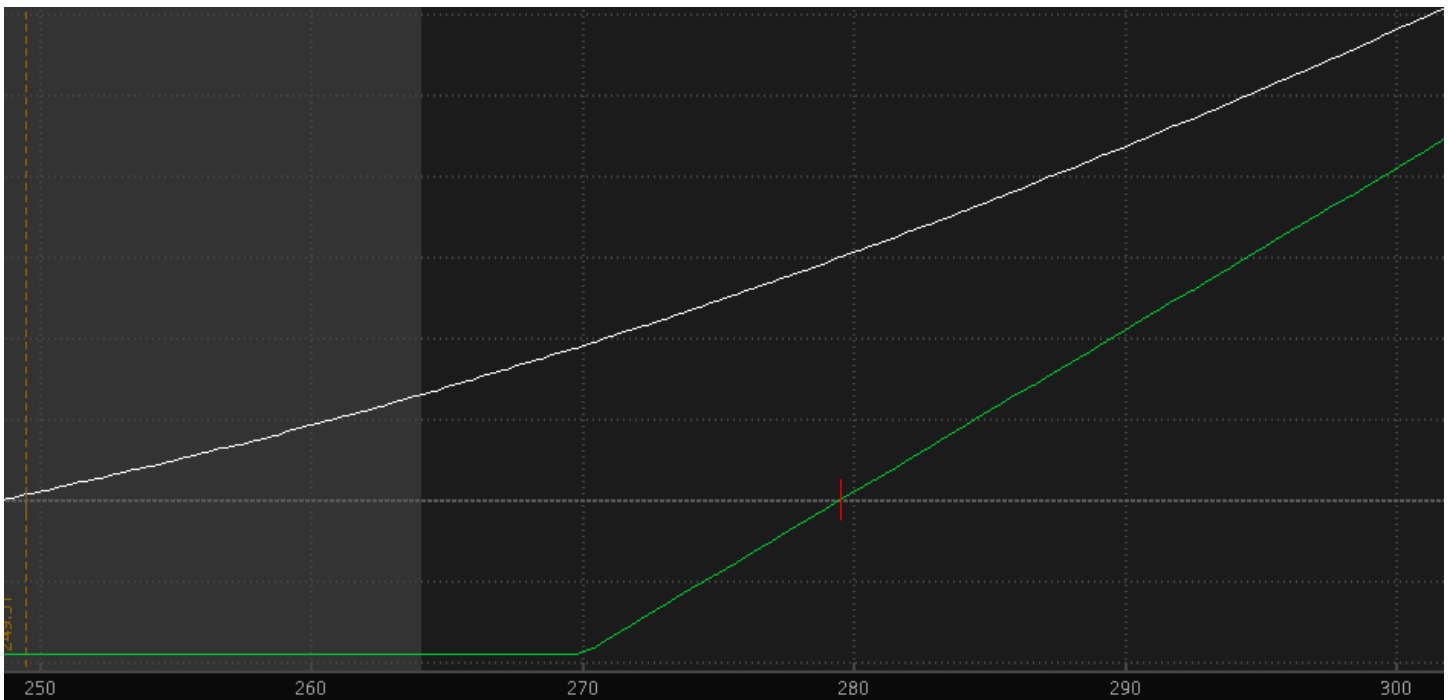
TICKER	CRM
SECURITY	Salesforce.com
SECTOR	Tech – Application Software
CURRENT PRICE	\$249.40
LONG/SHORT	Long
TARGET	\$300
STOP	\$233
TIMEFRAME	2 Months

**Trading Strategy:** Long CRM January \$270 Calls \$9.50

**Net Debit/Credit:** Debit of \$9.50

**Profitability Zone:** CRM Above \$279.50 on January OpEx

**Options Volatility / Trade Simulator View:**





**Technical Analysis:** CRM shares with a big move on earnings last quarter and consolidating for weeks now in a wedge pattern, the 21 week moving average key support on the recent lows and now at a nice support. Shares could start to run into earnings early December and potentially move out of this consolidation wedge.



**Fundamental Analysis:** The \$227B cloud software leader is in a strong income cycle and trades 66X Earnings and 65X FCF while the key software metric EV/Sales is at a 10.6X multiple, well below smaller high growth peers. CRM remains a major growth story with revenues seen rising 21.6% FY21 though facing tougher comps the next few quarters. CRM is a top beneficiary of Digital Transformation which is accelerating and capturing more spending. It estimates its addressable markets at \$168B across Sales, Platform, Service, Marketing, Analytics, Commerce, and Integration segments. It operates in large and growing industries that are still very low penetration, specifically Financial Services, Communications/Media, Manufacturing, Retail, Healthcare & Life Sciences, Public Sector, and Travel/Hospitality. CRM has long been an M&A-focused company but the departure of co-CEO Keith Block, the primary dealmaker, may make them slowdown in the near-term and focus on integration and expanding margins which many view as a net positive in the current environment. Analysts have an average target of \$277 and short interest low at 1.4% of the float. MSCO downgraded shares to Equal Weight this week with the focus shifting to earnings from revenue growth while OTR Global upgraded to Positive from Mixed. On 10/23 Barclays raised its target to \$315 and 10/13 UBS at Buy with a \$325 target seeing an improving margin outlook. Hedge Fund ownership rose 4.27% in Q2 filings, top holders Polen and Sustainable Growth added to positions.

### Options Activity:

Date	Description	Volume	Open Int	Price	Delt	Impl Vo	Prob.ITM	Premium Paid	Symbol	Current Price	Current OI
11/12/2020	CRM 100 19 MAR 21 210 CALL	350	6	\$48.71	0.79	42.81%	70.96%	\$1,704,850	.CRM210319C210		
11/9/2020	CRM 100 20 NOV 20 280 CALL	34,318	28,649	\$2.40	0.24	35.28%	22.17%	\$8,236,320	.CRM201120C280	\$0.36	17202
11/6/2020	CRM 100 19 MAR 21 230 CALL	4,117	0	\$43.45	0.729	42.29%	63.80%	\$17,888,365	.CRM210319C230	\$37.75	4024
10/26/2020	CRM 100 20 NOV 20 275 CALL	2,985	162	\$1.47	0.12	41.19%	10.17%	\$438,795	.CRM201120C275	\$0.70	3689
10/15/2020	CRM 100 21 MAY 21 250 PUT	627	69	\$31.00	-0.41	43.59%	54.04%	\$1,943,700	.CRM210521P250	\$35.20	369
10/14/2020	CRM 100 (Weeklys) 13 NOV 20 265 CALL	1,396	299	\$11.00	0.48	40.71%	43.78%	\$1,535,600	.CRM201113C265	\$0.43	1290
10/12/2020	CRM 100 (Weeklys) 27 NOV 20 290 CALL	500	5	\$10.00	0.33	45.19%	27.04%	\$500,000	.CRM201127C290	\$0.45	620
10/5/2020	CRM 100 19 FEB 21 280 CALL	1,000	1,306	\$16.50	0.39	43.32%	29.01%	\$1,650,000	.CRM210219C280	\$10.35	2870
10/5/2020	CRM 100 19 FEB 21 220 PUT	1,000	1,946	\$13.80	-0.27	45.47%	37.33%	\$1,380,000	.CRM210219P220	\$7.80	6407
10/1/2020	CRM 100 15 JAN 21 260 CALL	1,794	1,187	\$23.50	0.51	47.52%	41.02%	\$4,215,900	.CRM210115C260	\$15.00	3829
9/28/2020	CRM 100 (Weeklys) 6 NOV 20 245 CALL	482	8	\$15.10	0.55	43.52%	49.29%	\$727,820	.CRM201106C245	\$0.00	0
9/25/2020	CRM 100 16 JUL 21 190 PUT	501	149	\$13.30	-0.202	42.21%	32.43%	\$666,330	.CRM210716P190	\$7.45	751
9/23/2020	CRM 100 17 SEP 21 200 CALL	601	0	\$58.70	0.73	42.44%	57.23%	\$3,527,870	.CRM210917C200	\$59.00	602
9/22/2020	CRM 100 18 DEC 20 220 PUT	3,449	622	\$10.38	-0.27	46.82%	34.69%	\$3,580,062	.CRM201218P220	\$3.28	3418
9/18/2020	CRM 100 19 FEB 21 280 CALL	1,006	212	\$12.83	0.347	41.43%	25.36%	\$1,290,698	.CRM210219C280	\$10.35	2870
9/17/2020	CRM 100 20 NOV 20 260 PUT	5,050	1,742	\$29.35	-0.61	45.70%	67.84%	\$14,821,750	.CRM201120P260	\$10.40	28595
9/17/2020	CRM 100 20 NOV 20 260 CALL	5,145	6,575	\$12.45	0.4	46.50%	32.32%	\$6,405,525	.CRM201120C260	\$3.65	35298
9/16/2020	CRM 100 20 JAN 23 190 PUT	425	0	\$26.00	-0.22	39.25%	42.84%	\$1,105,000	.CRM230120P190	\$22.74	509
9/15/2020	CRM 100 18 DEC 20 260 CALL	1,234	1,235	\$19.10	0.49	43.93%	39.86%	\$2,356,940	.CRM201218C260	\$11.70	4958
9/14/2020	CRM 100 18 JUN 21 250 CALL	205	75	\$34.40	0.56	42.00%	41.28%	\$705,200	.CRM210618C250	\$32.40	760
9/9/2020	CRM 100 17 JUN 22 260 CALL	278	38	\$50.55	0.59	41.95%	36.69%	\$1,405,290	.CRM220617C260	\$44.00	273
9/8/2020	CRM 100 18 DEC 20 270 CALL	700	52	\$17.40	0.4	52.71%	29.33%	\$1,218,000	.CRM201218C270	\$7.80	1980
9/8/2020	CRM 100 18 DEC 20 250 CALL	307	25	\$23.50	0.5	51.78%	39.47%	\$721,450	.CRM201218C250	\$16.14	1363
9/4/2020	CRM 100 18 DEC 20 260 CALL	1,432	0	\$28.20	0.532	55.69%	41.38%	\$4,038,240	.CRM201218C260	\$11.70	4958
9/1/2020	CRM 100 17 JUN 22 280 PUT	458	0	\$58.30	-0.389	39.66%	60.12%	\$2,670,140	.CRM220617P280	\$63.50	241
8/31/2020	CRM 100 15 JAN 21 270 CALL	13,200	3,588	\$34.12	0.572	48.56%	45.29%	\$45,038,400	.CRM210115C270	\$10.50	20932
8/28/2020	CRM 100 15 JAN 21 270 CALL	2,884	784	\$31.84	0.561	47.38%	44.44%	\$9,182,656	.CRM210115C270	\$10.50	20932
8/27/2020	CRM 100 20 NOV 20 270 CALL	6,818	1,581	\$29.60	0.598	45.72%	51.03%	\$20,181,280	.CRM201120C270	\$1.30	13573
8/27/2020	CRM 100 19 FEB 21 270 CALL	5,445	88	\$34.00	0.599	43.27%	48.01%	\$18,513,000	.CRM210219C270	\$14.00	6248
8/26/2020	CRM 100 20 NOV 20 260 CALL	6,798	82	\$33.00	0.611	51.78%	51.21%	\$22,433,400	.CRM201120C260	\$3.65	35298

**Potential Catalysts:** Earnings 12/1/2020

**Disclaimer:****Not Investment Advice or Recommendation**

*Any descriptions "to buy", "to sell", "long", "short" or any other trade related terminology should not be seen as a recommendation. The Author may or may not take positions in any of the names mentioned, and is not obligated to disclose positions, nor position sizes.*

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