



FEATURED OPTIONS RADAR REPORT



After 'Train Wreck' Quarter, Bulls See Long-Term Rebound in Disruptive Software Company

Ticker/Price: DOCU (\$129.5)

Analysis:

DocuSign (DOCU) hit hard on earnings in early December but seeing some interesting bull flow recently including a large opening sale of 1,500 January 2024 \$160 ITM puts for \$51 today that follows 1,500 of the January 2024 \$150 puts yesterday around \$44. DOCU has also seen some call buyers in the January 2024 \$270 calls, March \$130 and \$135 calls, and June \$160 calls. The large put sales this week, however, are interesting as well with the size accumulation by the CEO since the earnings drop. On 12/7, Daniel Springer bought \$5M in stock at \$141.25 to \$144 and then bought another \$2.5M in stock on 1/10 at \$128.89. These are the first open market buys in the name since it went public. Shares have cut down by more than half since their 2021 high near \$315 and some room below to big volume support around \$100 from the April 2020 breakout. The \$25B company trades 9.9X FY23 EV/sales with 25% growth and accelerating profitability. DOCU saw a big slowdown in demand late in 2021 as companies re-evaluated spending amid a return to the office and the company also, admittedly, took away some focus from adding new business. Springer told media outlets after the report that he plans to course correct by shaking up executive ranks and adding more supervision on their go-to-market and customer acquisition strategy. The company was at the Needham conference on 1/10 highlighting that growth among existing customers remains strong while they can be more aggressive pursuing international customers which remains a largely untapped pool of new business. DOCU also sees new customer opportunities within the \$25B Agreement market which is likely to endure past the pandemic given the ease of use and change within major verticals like real estate. Analysts have an average target for shares of \$250 with a Street High \$360. Piper with a \$175 PT on 1/6 noting that many of the demand drivers that positively impacted spending in 2021 will remain in 2022. RBC with a \$220 PT and remaining bullish on the long-term story but acknowledges its timeline to navigate its refocus and execution issues is uncertain. However, the company remains the undisputed leader in e-signature solutions and should benefit from the lasting tailwinds from the pandemic. JMP keeps a \$307 PT for shares as they think the company can turn around their near-term issues and continue executing on growing share in the largely unpenetrated \$50B market for agreement. Short interest is 4.5%. Hedge fund ownership rose 5% last quarter. Tiger Global with a 7M share position.

Hawk Vision:



Hawk's Perspective: DOCU is tricky because it likely stays in the penalty box in the near-term and more attractive as a long-term investment closer to the \$100-\$110 level as it has become a 'show me' story but the long-term opportunity remains massive and with a more clear strategy for post-pandemic growth, shares can rebound well

Confidence Ranking: \$\$