



FEATURED OPTIONS RADAR REPORT



Large Bull Trade Sees Opportunity in Post-Earnings Weakness for Leading DevOps Play

Ticker/Price: DT (\$76.15)

Dynatrace (DT) with 900 February \$80 calls bought late in the session on 11/8 for around \$500K and follows the recent large buy of 20,000 February \$70 calls for \$13M on 10/27 into earnings weakness. DT still has a ton of open interest in November expiration that will need to adjust or exercise next week and has also seen 2000 each of the March \$85 and May \$90 calls sold to open likely writing against a stock position. DT has been a strong and steady winner with shares +76% YTD and since the June range breakout has moved higher without many dips. DT pulled back to near its 21-week moving average on earnings and has since recouped most of the move and consolidating below new highs. DT operates a leading software intelligence platform built for dynamic multi-cloud environments. The all-in-one platform delivers precise answers about the performance and security of applications, the underlying infrastructure and the experience of all users to enable organizations to innovate faster, simplify cloud complexity, collaborate more efficiently, and secure cloud-native applications. The Dynatrace® platform leverages an automatic instrumentation technology called OneAgent®, a real-time dependency mapping system called SmartScope®, our transaction-centric code analysis technology called PurePath®, and an open artificial intelligence, or AI, engine called Davis® for instant answers to degradations in service, anomalies in behavior, and user impact. DT sees potential to disrupt infrastructure monitoring, application security, alert and incident management, and network monitoring as well as newer categories like multi-cloud observability, AIOps, and automation for IT and DevOps processes. DT estimates its current market opportunity for its solutions at \$50B. DT currently has a market cap of \$22B and trades 23.6X EV/Sales with revenues rising 26.6% in 2020 and 28.9% in 2021 and forecasts for 30.5% growth in 2022 with profitability also starting to ramp. DT sold off on seasonally weaker RPO and billings but the leading indicator, ARR, reaccelerated. Dynatrace's strategic positioning continues to increase, with its customer base deploying the stack more broadly throughout the organization and purchasing new modules. Dynatrace is also seeing increased traction with its SI, Cloud hyperscaler partnerships, and US Federal vertical. Dynatrace's flexible deployment option enables a customer to meet strict regulatory and security requirements while also managing hybrid-hosted workloads. Analysts have an average target of \$83 with short interest low at 3.5% of the float. Summit raised its target to \$100 last month citing a stellar quarter and estimates are too conservative.

Hawk Vision:



Hawk's Perspective: DT remains a best-in-class name in the perfect area for digital transformations and should continue to deliver strong revenue growth with great unit economics.

Confidence Ranking: \$\$