



FEATURED OPTIONS RADAR REPORT



Bullish Positioning in Software Co. Undergoing Transition

Ticker/Price: ESTC (\$94.85)

Elastic NV (ESTC) has seen a lot of maneuvering in options since its earnings sell-off last quarter and on 2/9 the March \$100/\$130 call spreads bought 2000X for \$4.70 while 500 May \$85 puts were sold to open as well. ESTC already had a buyer of 1000 March \$100 calls on 1/31 and has 1000 February \$80 and 2000 February \$85 calls in OI from buyers on 1/24 spread versus \$115. ESTC also has 2000 March \$95 calls from buyers. ESTC on the short-term chart is working out of a three-week basing pattern with the 8/21 bull moving average crossover starting, room to \$100 and \$112 upside targets. On the long-term chart ESTC's sell-off settled right at lifetime VPOC as well as a 76.4% Fibonacci of its all-time low to high. ESTC is expected to next report in late February. Elastic is a search company that makes the power of search—the ability to instantly find relevant information and insights from large amounts of data—available for a diverse set of applications and solutions, including Enterprise Search, Observability, and Security. Elastic created the Elastic Stack, a powerful set of software products that ingest and store data from any source, and in any format, and perform search, analysis, and visualization in milliseconds or less. ESTC currently has a market cap of \$8B and trades 10X FY22 EV/Sales though EBITDA profitability is just starting to ramp with EBIT and FCF margin inflection. ESTC recently announced several leadership transitions which has called into question slowing revenue growth, execution upmarket, and competition with Splunk Cloud and Datadog. The ESTC model is changing with cloud seen at 50% of the revenue mix in the next 2-3 years. Elastic's combination of powerful and extensible technology and differentiated customer approach has the potential to disrupt a fragmented ~\$50B+ IT Operations and Observability market. Analysts have an average target of \$170 with short interest high at 9.7% of the float. Citi on 1/13 called the weakness on leadership changes a buying opportunity with strong business trends intact and potential to improve the narrative. JPM upgraded in December with a \$156 target calling the sell-off unwarranted and sees the cloud strategy resonating and growth investment ramping as a structural winner in Search, Observability and Security.

Hawk Vision:



Hawk's Perspective: ESTC showing signs of bottoming and have thought of it at \$8B as more of an attractive M&A target to help it better compete and execute/scale. I like the reward/risk vs. \$84 considering the flows.

Confidence Ranking: \$\$