



ZM, CRWD, DOCU

Zoom (ZM) will report results 8/30 after the close with the Street looking for \$1.16 EPS and \$991M in Revenues (+49%) and Q3/FY22 seen at \$1.09/\$1.01B and \$4.67/\$4.01B. ZM shares have closed lower the last three reports and a six quarter average max move of 15.5%. The \$99B maker of collaboration software did a big \$14.7B deal for **Five-9 (FIVN)** in July, a best-in-class cloud contact center play. Zoom connects people through frictionless and secure video, phone, chat, and content sharing and enable face-to-face video experiences for thousands of people in a single meeting across disparate devices and locations. Zoom core products include Zoom Meetings, Zoom Phone, Zoom Chat, Zoom Rooms, Zoom Conference Room Connector, Zoom Video Webinars, Zoom Developer Platform, and Zoom App Marketplace. Zoom has been posting very strong numbers and has a major growth opportunity and ARPU expansion opportunity with Zoom Phones though churn rates will likely be in focus as face-to-face meetings regain some momentum. Zoom with the addition of Five-9 sees an \$86B combined TAM across communications software. ZM currently trades 24X EV/Sales and 19.8X FY23 estimates as valuation has come back in-line with the higher growth peers while still seen delivering 51% revenue growth in 2022 and 21% in 2022. Analysts have an average target of \$430 with short interest at 5% of the float climbing 35% Q/Q. BAML positive on the recent M&A deal noting Zoom/Five9 would be the strongest UCaaS/CCaaS combination in the market and the move increases the competitive risks for vendors selling both. Both markets are early in the cloud migration cycle, with UCaaS seats representing less than 15% of the addressable 400mn and only 25% of contact center agents on CCaaS platforms as of 2020. BAML notes that with \$5B in cash and 36% operating margins, Zoom has an attractive opportunity to do more potential M&A, outspend competitors, and extend its leadership position. MSCO recently upgraded to Overweight with a \$400 target citing enterprise momentum and a better margin environment providing a nice set-up into results while the Zoomtopia Conference and FY23 guidance can be upside drivers. KeyBanc raised to Overweight with a \$428 target in late July. Hedge Fund ownership rose 11% in the latest quarterly filings with notable top holders include Baillie Gifford, Tiger Global, and Ark while Whale Rock took a sizable new position last quarter. On the chart ZM shares have trended lower since late 2020 but made a run in May before stalling at a 38.2% retracement level. ZM now sits right on YTD VPOC but back below VWAP off the May lows with a measured move back to \$300 on the break of recent support though potential support near \$324 as a 61.8% retracement. ZM has a lot of overhead resistance in the \$355/\$370 zone. ZM options are pricing in a 7.6% move on earnings with 30-day IV Skew at +0.4 comparing to the +0.7 52-week average. ZM has recently seen some notable put sales at December \$350 and October \$350 strikes while a large buy of 6000 September \$290 calls on 5/12 remains in open interest and also recent buys in November \$500 calls, October \$400 calls, and January \$410 calls.

Trade to Consider: Sell the **ZM** September \$385/\$380/\$320/\$315 Iron Condor for a \$2.40 Credit



CrowdStrike (CRWD) will announce earnings 8/31 after the close with the Street estimate at \$0.09 EPS and \$323.2M in Revenues (+62%), and Q3/FY22 seen at \$0.09/\$351M and \$0.40/\$1.36B. CRWD shares closed lower last quarter on results but were higher four of the prior five, a six quarter average max move of 12.8% on results. CRWD is a leading Security Cloud company with its Falcon platform the first multi-tenant, cloud native, intelligent security solution capable of protecting workloads across on-premise, virtualized, and cloud-based environments running on a variety of endpoints such as desktops, laptops, servers, virtual machines, cloud workloads, cloud containers, mobile, and IoT devices. CRWD has seen their TAM grow from around \$25B at the IPO to more than \$44B estimated by 2023 as they expand their product reach into areas like cloud security, identity protection, and log management. They also recently outlined a long-term plan that would see their TAM expand to \$100B, namely through the growth of cloud security. CRWD is coming off an exceptionally strong quarter as demand surges behind a rising threat environment. The company grew ending ARR by 74% to over \$1.19B. CRWD sees further acceleration in 2021 as clients continue to adopt cloud workload protection while new features to their products expand their leadership within the category. CRWD currently has a market cap of \$63B and trades 46X EV/Sales, a premium valuation, with revenues seen rising 51% this year and 36.5% next year. Analysts have an average target of \$280 with short interest at 4.6% of the float down 25% Q/Q. Wolfe recently started coverage at Outperform with a \$305 target as the best hypergrowth security stock and a high quality company. BTIG raised its target to \$302 on strong demand trends that are sustainable being driven by the larger digital transformation initiatives and CRWD has introduced multiple new product categories driving stronger growth. Hedge Fund ownership rose 11% in the latest quarter with notable top holders including Tiger Global, Whale Rock and Altimeter. On the chart CRWD broke out last week of consolidation to record highs reaching near the first Fibonacci extension target at \$283. CRWD has an unfilled gap back to around \$247 as a support on weakness while \$269 as a retest level also in play. CRWD options are pricing in a 6.6% earnings move with 30-day IV Skew at +0.3 comparing to the +0.1 52-week average. CRWD flows have seen a lot of longer dated opening put sales that are now in good shape with shares at new highs, while on the call side the September \$280 were bought 2000X to open in size on 8/24 and October \$280 has over 2000 in OI as well.

Trade to Consider: Long the **CRWD** September \$280/\$285 Call Spreads at \$2.35 Debit



DocuSign (DOCU) will report earnings 9/2 after the close with the Street view at \$0.40 EPS and \$487.5M in Revenues (+42.5%) and Q3/FY22 estimates at \$0.39/\$520.5M and \$1.67/\$2.05B. DOCU shares jumped 20% last quarter on results but lower three of the prior four, a six quarter average max move of 12.75%. DocuSign helps organizations do business faster with less risk, lower costs, and better experiences for customers and employees by transforming agreements via esignatures. The DocuSign Agreement Cloud is a cloud software suite for automating and connecting the entire agreement process. DOCU sees a long runway for growth within the market for esignatures and contracting workflow with just 8% market share and estimated \$25B TAM. The company sees a combined TAM of \$50B incorporating Sign, Prepare, Act, and Manage across the Agreement Cloud. They gained a lot of popularity throughout the pandemic as cloud-based signatures for critical documents became essential and the benefits of a shorter contract execution cycle will likely keep them in-demand even as work environments shift back. They continue to add new products too which will expand their reach with both Notary and Analyzer debuting in the 2H of 2020. DOCU posted accelerating billings growth last quarter despite difficult comps largely driven by elevated levels of consumption with existing customers and early renewals and expansions. The company now has 988,000 total customers, up from 661,000 in 1Q21 and 892,000 in FY21. Within this customer set, DocuSign now has 673 customers with more than \$300K in annual contract value (ACV), representing 42% y/y growth, accelerating from 37% in Q4. Net retention in the quarter was 125%, up from 123% in 4Q21. International sales growth accelerated to 80% y/y and represents a large opportunity for the company. DOCU has a market cap of \$59B and trades 28.6X EV/Sales FY22 with revenues seen rising 41% this year and 29.5% next year. Analysts have an average target of \$290 and short interest at 3.5% of the float has risen 30% Q/Q. Piper raised its target to \$330 in July on strong channel checks. Wedbush upped its target to \$290 in June on accelerating deal flow and remote work driving the need for esignatures. Hedge Fund ownership rose 6.6% in the latest quarter with Tiger Global a top holder along with Ark Investment. On the chart DOCU shares have consolidated the last few weeks just below its 138.2% Fibonacci extension and some bearish divergences developing. DOCU's rising 200-day moving average is back at \$241 while \$257.50 is a key volume level of support on weakness. DOCU options are pricing in just under an 8% earnings move with 30-day IV Skew at 0 comparing to the +0.1 52-week average. DOCU flows have been relatively quiet with a lot of married put plays and seen some upside call sales. The March \$300 calls were bought 1400X to open on 7/21 in a large trade and September \$330 calls have 2700 in OI from size buys on 6/30. The November \$200 calls have 10,000 in OI from a massive purchase on 6/7 and an. 2023 \$340 calls with 2350X opened back on 5/6.

Trade to Consider: Long the **DOCU** September \$305/\$310 Call Spreads at \$2.20 Debit



Disclaimer:

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