



## FEATURED OPTIONS RADAR REPORT



### Large Call Buyer Steps into Earnings Weakness in Service Now

Ticker/Price: NOW (\$510)

#### Analysis:

**Service Now (NOW)** size buyer stepping in this morning to weakness after earnings for 4,500 August \$530 calls from \$31.20 to \$34.50. NOW has seen a lot smaller, high-dollar buys in the May, August, January, and June 2022 calls recently. Shares pulled back right to the 200-day MA and just above March value at \$500. The long-term bull trend remains intact and potential to form a higher low on the weekly vs the March levels before continuing higher with a longer-term measured move out to \$750. The \$108.5B company trades 16.5X EV/sales with steady revenue growth expected around 25% annually in both FY22 and FY23. NOW posted 30% subscription growth in Q1 and some concern as new deals over \$1M slowed but they still posted 23% growth Y/Y in ACV over \$1M and 50% growth in those over 50%. Demand around financial services, healthcare, and government remains strong, the latter highlighted by new contracts with DHS and the Dept. of Ag, while there's optimism around growing areas like HR as well which will expand their addressable market opportunity throughout 2021. NOW continues to have a significant long-term opportunity with digital investments rising and expected to continue growing, the company noting earlier this year that IDC sees digital transformation spending totaling more than \$7.4T by 2044. Analysts have an average target for shares of \$608 with a Street High \$680. BMO this morning with a \$575 PT noting that the company should be able to sustain growth in its core ITSM market and leverage its installed base for upsell opportunities. Wolfe with a Buy rating on 4-22 as its revenue run rate is poised to double over the next three years and the company has industry-leading free cash flow margins. Hedge fund ownership fell marginally in Q4, Polen Capital and Sands Capital both remain top holders. Short interest is 1.45% and near the lowest levels since it IPO'd in 2012.

#### Hawk Vision:



**Hawk's Perspective:** NOW has long been a favorite name in the software space and think the sell-off is a bit of an overreaction relative to the larger opportunity in 2021 and beyond that exists for a company with a history of executing well; as with any gap down like this, I want to see it hold up over the next couple days but the 200-MA should be a nice backstop

**Confidence Ranking:** \$\$