



Service-Now Bulls Continue to Position for Upside

Ticker/Price: NOW (\$296)

Analysis:

ServiceNow (NOW) with 565 August \$330 calls being bought \$19.60 to \$20.30 today to open and also seeing some ITM Jan. 2021 call buys. Today's flows follows buyers recently in the May \$300 calls, February \$300 calls, and Jan. \$305 calls. NOW also seen action up to the \$320 strike out in February in December. Shares have continued their run into 2020 riding the 8-EMA higher as software a more defensive play with the geopolitical issues and near a big weekly breakout that targets \$375. NOW enters the new year with a new CEO formerly from SAP who is expected to help transition the company into \$10B+ revenue generator. Bill McDermott has experience with not just enterprise software but growing global scale and a known consolidator who could target M&A to build out some growing areas of their business with BAML noting in December they could focus on DevOps or ITOM. McDermott bought around \$1M in stock in December at \$279. The \$55.27B company trades 37.5X cash and 17X EV/sales with over \$5.40/share in earnings power and mid-20% revenue growth. They continue to see growth in subscription revenues while large accounts (> \$1M) have grown steadily since 2017 across both IT and emerging products like security ops and intelligent apps. Analysts have an average target for shares of \$292. Cowen positive in October noting that many bear concerns seemed to have been debunked with bullish commentary on EMEA, a downplay on attrition to Snowflake, a downplay on future large M&A, and very strong growth in large deals. CSFB positive in December seeing the CEO move as an overall positive with upside drivers from growth in large customers across ITSM and ITOM. They also think there's been no slowdown in the digital transformation initiatives laid out by the previous c-suite. Short interest is 6.5%. Hedge fund ownership jumped 25% in Q3. Melvin Capital with a big jump in ownership, up to 2M shares, while Viking Global, Tiger Global and Lone Pine also adding.

Hawk Vision:



Hawk's Perspective: NOW screens as best of breed annually and continues to be a favorite though the group could use a cooling off period soon.

Confidence Ranking: \$\$