Unusual Calls Open in Aspen Tech

Ticker/Price: AZPN ($89.60)

Analysis:

Aspen Tech (AZPN) trading over 10X average calls today in a name which rarely sees notable accumulation as more than 700 April $85 calls re bought to open up to $9.50. AZPN shares are back at the 200-EMA after forming a nice double-bottom recently at $77.50 and a move higher targets $105 as it works through a low-volume gap from October. Shares traded as high as $118 in August and held above the 50% Fibonacci of the move. AZPN will report earnings next on 1-23 and shares higher four of the last six. The $6.3B company trades 13X EV/sales and 31.5X FCF with expectations for mid-to-high single digit revenue growth through FY21. AZPN focuses on asset optimization software for process industries across a number of end-markets like energy, engineering, and construction. Their E&C customers showed net growth last quarter for the first time in three years with lower rates of attrition and higher renewal levels. Analysts have an average target for shares of $105 with limited coverage but 5 buy ratings, 1 hold, and 1 sell. Benchmark upgraded to Buy on 1/4 citing improving business momentum, especially with regards to demand for plastics which is supporting chemicals customers. Canaccord upgraded to Buy on 11/28 with a $100 PT. They see a re-acceleration in growth in 2019 and 2020 with double-digit revenue potential. JP Morgan was positive on 10/29 after the Red Hat deal noting that AZPN would be a strong acquisition candidate given its discounted valuation and unique vertical which could be attractive to a strategic buyer. Institutional ownership fell 7.75% last quarter. Nuveen, Copper Rock, and RenTech all notable buyers. Kayne Anderson is the top holder. Short interest is 1.8% and down near 5-year lows after topping out around 9.5% in 2016.

Hawk Vision:

Trading Strategy: **AZPN** has been an interesting name for its niche verticals and the acquisition angle is notable, though I do worry about its end-markets from an earnings report view, so avoiding into results.

Confidence Ranking: $$