



FEATURED OPTIONS RADAR REPORT



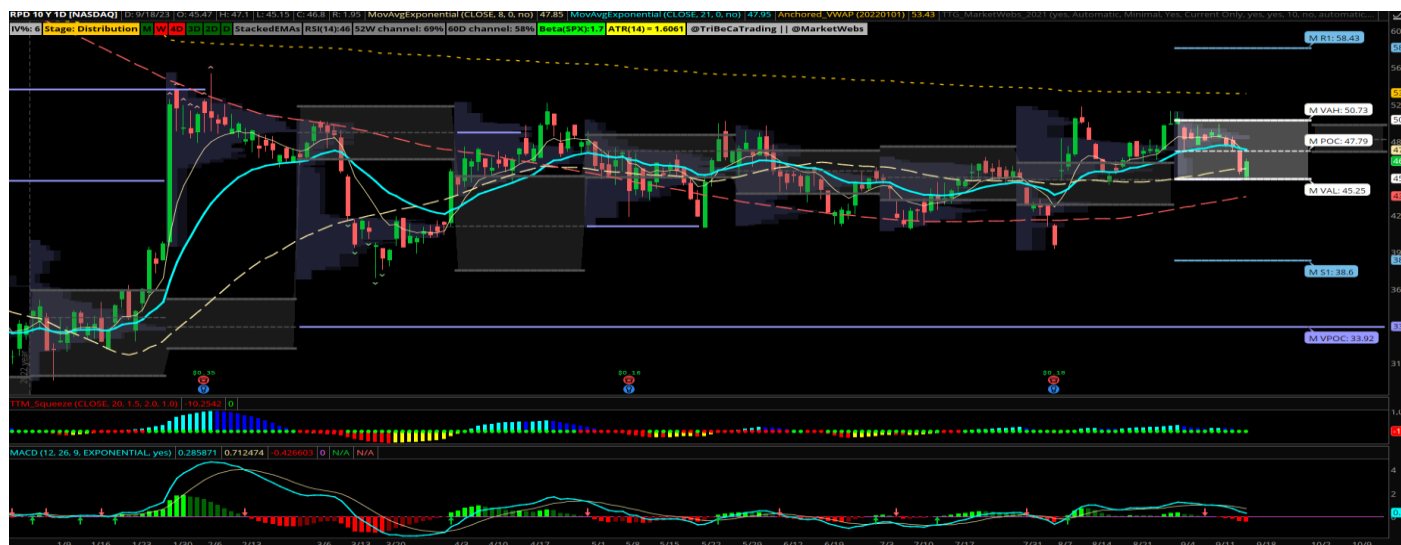
Bulls Position in Small Cap Security Software Name with M&A Potential

Ticker/Price: RPD (\$46.80)

Analysis:

Rapid7 (RPD) on 9/15 saw a large stock replacement buy 1500 Jan 2025 \$55 calls for \$7.50 and over \$1.15M in total for the security software name that has been rumored to be a M&A target eventually as the name now trades at less than 4.0x EV/sales and growing double digit revenues. RPD has limited notable positioning in open interesting otherwise but does have 1000+ October \$50 calls from buyers at \$2.70 and the December \$65 short calls still in OI from sales back in February so would likely be a sell target on a strong rally into yearend or potentially a level to target on a takeover deal. In mid-July, The Information reported that Rapid7 received an offer from PE firm Thoma Bravo, but the company and the firm were too far apart on price to agree on a deal. The \$2.9B software company trades 28.2x earnings, 3.9x EV/sales, FCF yield of 4.1% with revenues expected to grow +13% in FY23 and growth estimated at +13% in FY24. Rapid7, Inc. is engaged in advancing security with visibility, analytics, and automation delivered through its Insight Platform. Its Insight Platform solutions include incident detection and response, cloud security, vulnerability risk management, application security, threat intelligence and security orchestration and automation response. RPD is coming off a strong quarter last month beating top and bottom lines while guiding EPS higher and alongside better-than-expected free cash flow. Back in late June Rapid7 expanded its relationship with AWS (AMZN) to include InsightIDR support for AWS AppFabric. Shares have been pulling back to the rising 55-day MA and lower edge of monthly value area at 45 and Monday saw a solid bounce back from that support. RPD has been largely sideways for most of the last 6 months but consolidating above its 200 day MA which is now at 43.75. RPD has resistance at 50 and 53.50 but a break above that level can see a rally up to 66. Average analyst price target is \$53. Citi raised to \$54 from \$50 saying new business was surprisingly robust but expansion momentum came mixed. Canaccord boosted its target to \$52 from \$45 and keeps a Hold saying ARR and revenue both were slightly ahead of Street estimates. Management also announced a strategic restructuring to streamline operations to focus on selling integrated SOC solutions into the higher-growth areas of Detection & Response and Cloud Security. Stifel has a Buy rating and \$52 target citing the company's improving sales execution even as the macro remains difficult. Short interest is at 5.7%. Hedge fund ownership fell 4.9%.

Hawk Vision:



Hawk's Perspective: RPD is rangebound but trading long against the 200 day MA at 43.50 makes sense as a risk/reward. The January \$50/\$55 call spreads at \$1.70 are a simple way to play upside into year end with a nice payout if a deal came.

Confidence Ranking: \$\$