



## FEATURED OPTIONS RADAR REPORT



### Ahead of Expected CEO Announcement, Bulls See Value in Cheap Software Play

**Ticker/Price:** SPLK (\$112.25)

**Splunk (SPLK)** name has drawn a lot of bullish flow recently including 1000 February \$115/\$135 call spreads bought for \$5 on 1/5 and 1200 February \$125 calls on 12/30. SPLK has been popular with put sales recently across the January 2023 and January 2024 options as well as the February expiration at the \$105 line. SPLK also had 1200 June \$130 calls bought on 12/10 that remain In OI. Shares are trading in a narrow base under \$117.50 and low-volume node back to \$130 on a move higher. Longer-term, SPLK is back near the value low of the five-year range and 61.8% Fibonacci of the big rally up to the 2020 highs. The \$18.2B company trades 11.3X cash and 6.6X NTM EV/sales, back at its cheapest multiple since the March 2020 lows despite double-digit revenue growth during that period. SPLK pre-announced a strong quarter in November with cloud ARR growth accelerating to 75% from 72%. The company continues to see themselves positioned well for a massive opportunity in cloud which can become a multi-billion dollar business for them over time. CEO is in an interesting position after their CEO abruptly stepped down in November and the company announced an interim, so any news on the hiring front could be a positive catalyst. The company was at the Barclays conference on 12/7 talking about the move noting that they need someone who is less entrepreneurial but who can keep them focused and optimize operations in their go-to-market strategy. Analysts have an average target for shares of \$169 with a Street High \$225. Piper positive on 12/2 noting that while there are concerns around the CEO transition, they see meaningful conservatism built in as the company positions for upside. Baird with a \$135 PT as they think the cloud mix continues to increase, though this has not been flowing through the model cleanly which is hurting visibility. CSFB starting at Outperform on 11/16 as the analyst expects the sustainability of growth of the core Splunk index and a shift to the cloud, combined with its natural expansion into data streaming, to enable Splunk to grow recurring revenue at least 25%-30% annually. Hedge fund ownership rose 15% last quarter. Short interest is 3.5%.

### Hawk Vision:



**Hawk's Perspective:** SPLK is interesting given the valuation and near-term catalyst and may even be an activist target with the CEO departure creating some uncertainty and likely opening for someone who sees potential for changes driving a re-rating

**Confidence Ranking:** \$\$