



FEATURED OPTIONS RADAR REPORT



Sumo Bull Spreads Position for Recovery into 2021

Ticker/Price: SUMO (\$21)

Analysis:

Sumo Logic (SUMO) elevated bullish activity all week with 2,000 August \$25/\$17.50 bull risk reversals bought today, look to be adding to the 2,000 opened yesterday, and on Tuesday the April \$25/\$30 call spread 2000X for \$0.86 and selling the April \$20 puts 1500X for \$1.34. On 2/24, SUMO saw spreads buying 1000 November \$30 calls for \$11.50 and selling the November \$35 puts to open at no cost. Shares are back around the post-IPO lows from 2020 after trading as high as \$40 in February. SUMO debuted at \$26.50 and strong run on volume after breaking out in November. The \$2.18B software company trades 5.3X cash and 12.3X EV/sales with 16.5% growth in FY22 and 20%+ in FY23. SUMO has seen strong demand over the last year for their monitoring platform Continuous Intelligence as more businesses transform into digital-first platforms and continue to see Public Cloud growth as a major opportunity. SUMO operates in a competitive space with Dynatrace (DT), Datadog (DDOG), and others embedded already but they think their TAM can grow up to as much as \$55B as they expand product reach into End-User Query, Reporting, and Analysis – the latter the largest space at \$15B. They also see competitive advantage as the only vendor in Log Analytics + SIEM to have built a multi-tenant cloud platform. Analysts have an average target for shares of \$32 with a Street High \$44. BTIG with a \$35 PT but positive on 3/11 noting that guidance will prove conservative, and they like the long-term exposure to large established growth markets, greenfield opportunities as more workloads migrate into cloud environments, and tangential opportunities in APM and infrastructure monitoring. Short interest is 2.5%. Hedge fund ownership rose 58% in Q4.

Hawk Vision:



Hawk's Perspective: SUMO is a really interesting value at these levels and name we profiled around their IPO that I could see being an M&A target someday given their platform strength in a big and increasingly important space

Confidence Ranking: \$\$