



FEATURED OPTIONS RADAR REPORT



Large Call Adjustment in SaaS Leader with Accelerating Billings Growth

Ticker/Price: XM (\$39.75)

Analysis:

Qualtrics (XM) large trade to close the day on 7/26 as 5000 November \$40 calls bought to open at \$4.50 as the \$35 calls adjusted into strength and followed a buyer of 1000 September \$40 calls earlier in the session. XM has been popular with opening put sales and has size August and November \$30 short puts in OI at 5350X and 7750X respectively. XM shares are starting to emerge out of a weekly basing pattern and RSI at its highest level since the IPO, and above \$43 measures to a \$55 upside target. XM has consolidated nicely after a minimal reaction to earnings, one of the first software names to report, beating estimates and raising guidance. XM has pioneered a new category of software, experience management, or XM, which enables organizations to succeed in today's experience economy. Its XM Platform helps organizations both design and improve the experiences. The platform manages experiences across all four key experiences for organizations, Customer, Employee, Product, and Brand. Qualtrics provides easy-to-use tools to listen to both solicited and unsolicited customer, employee, product, and brand sentiment across any channel, including chat, text, Facebook Messenger, WhatsApp, IoT devices such as Alexa or a smartwatch, or from third-party systems, including survey vendors, and operational systems. The Experience Management market represents a vast, rapidly growing, and underpenetrated market opportunity today, and estimates the total addressable market to be approximately \$60 billion in 2020. XM strategies for growth include driving new customer sales, expanding use cases with existing customers, expanding its global presence to new markets, innovating the platform, new industry-specific investments to the platform, and expanding its partner network. XM was acquired by **SAP AG (SAP)** in 2019 which holds 84.1% of outstanding stock and 98.1% of voting power. XM has a market cap of \$19.7B and trades 19.6X FY21 EV/Sales with revenues seen rising 32% in 2021 and 20% in 2022 as it also nears profitability. Qualtrics put up impressive 2Q results as billings growth improved to 48% from 45% in the prior quarter, and total RPO grew 76% y/y, driven in part by increased contract duration, a testament to the growing strategic importance of Qualtrics to its customers. NRR improved slightly in the Q to 122% up from 120% in Q1, as newer modules like Employee XM benefited from customers' attempts to better retain employees in a liquid job market. Analysts have an average target of \$48 and short interest is at 9% of the float. Canaccord out positive last week with a \$48 target noting it's a name to own in a growing category with increasing market share gains. Citi has a \$55 target and sees XM growing into its valuation and is set up as a hyper-growth compounding story. BAML raised to Buy in May noting the SAP relationship helps extend XM's reach. Silver Lake owns a \$680M stake.

Hawk Vision:



Hawk's Perspective: XM is pricey on valuation but thus far has been a strong reporter and likely has further momentum up to \$50.

Confidence Ranking: \$\$