Large Put Sale Calls Bottom in Cheap Value in Software

Ticker/Price: YEXT ($10.29)

Yext (YEXT) a stock having a rough year with shares -33.5% YTD but a large trade on 11/23 may put a floor in the stock as 5000 January 2023 $10 puts sold to open at $2.10 with shares trading right near that $10 level. YEXT hit a record low in March 2020 near $8.50 before rebounding above $20 earlier this year and will next report results in early December, shares lower 8 of its last 10 reports. YEXT is a platform that organizes a business's facts so it can provide official answers to consumer questions starting with the business's own website and then extending across search engines and voice assistants. Its Knowledge Graph is designed to deliver a modern search experience on a business's or organization's own website, as well as across approximately 200 service and application providers. YEXT held an Analyst Day in March outlining its opportunity in Search with a $30B opportunity by 2024 that is in the early innings. YEXT currently has a market cap of $1.38B and trades just 2.8X EV/Sales and 5.75X Cash. YEXT has posted a revenue growth CAGR of 32% the last five years and its net revenue retention rate is near 103% while International has expanded to 20% of revenues from 2% in 2016. YEXT is targeting 20%+ long-term operating margins which were -6% in 2021. Forecasts see YEXT revenue growth accelerating back near 15% in FY23 from 9.2% in FY22. YEXT was a software names impacted by COVID more than many peers and will start to lap easier comps while its Answers products grow traction. Analysts have an average target of $17 and short interest is 5.6% of the float. YEXT has not seen any recent analyst activity.

Hawk Vision:

Hawk's Perspective: YEXT is a compelling value at these levels, not a rapid growth name by any means but still a solid product and accelerating growth, so this trade likely will mark a floor and YEXT could quietly be a winner in 2022 while also being a potential M&A target.

Confidence Ranking: $$