



Trade of the Week

Zen-Desk (ZEN) strong setup with shares consolidating in a bull flag under \$88 with a breakout targeting \$100. ZEN has a big weekly resistance level around 90/95 and could set up for a multi-week move into free space. The \$8.24B company trades 10.3X EV/sales and 17X cash with expectations for 75% EPS growth and 26.5% revenue growth in FY20. ZEN is focused on expanding their product suite including multi-platform support and sales, messaging, and more. They see a huge and expanding TAM opportunity as they build into adjacent markets while also diversifying their client mix with more enterprise contracts which have more than 3X LTV/CAC than small business. ZEN could see strong tailwinds in a post-COVID world as customer/retailer relationship is in focus and adoption of cloud-based digital support systems grows.



Analysts have an average target for shares of \$96. RBC with a \$100 PT positive on its Sell and Conversations products having a "meaningful" tailwind. BAML positive on 4/15 citing checks with partners. "Feedback suggests some slowdown in lead volume. However, renewal/upsell deals remained solid, from healthy upsell/cross sell activity for Sunshine, driven by demand for the new conversations tool. We also noted some uptick in the Sell CRM offering sold into renewals." Short interest is 7.5%, up from 6% in late 2019. Hedge fund ownership rose 13% in Q4. Whale Rock Capital, Polar Capital, Corvex, EMS Capital, Tiger Global, and Jericho Capital all notable holders.

Trade to Consider

Long the **ZEN** August \$85/\$100 Call Spread for \$5