



Zen-Desk Options Positioning Sees It as M&A Target

Ticker/Price: ZEN (\$79.65)

Analysis:

ZenDesk (ZEN) with 680 August \$95/\$110 call spreads being bought, and has 11,000 February \$80/\$90 call spreads in open interest. ZEN has lagged its peers **Five-9 (FIVN)** and **Ring-Central (RNG)** in 2019 and pulled back to a 61.8% retracement where shares bottomed and now trying to work back above its 200 day MA and value range, a move above \$82 targets a measured move to \$100. The \$9.3B customer support company trades 10.4X EV/Sales and revenues grew 35-40% per year the last three and sees 30% growth in FY20. ZEN will next report earnings 2-4-20. ZEN is seeing an expanding TAM and product innovation driving sustainable growth with strong momentum in Enterprise & SMB. ZEN is FCF positive and benefiting from stronger operating leverage while its industry is seeing strong growth from higher customer interactions online. Analysts have an average target of \$94 on shares while short interest at 7.8% of the float has climbed to a three-year high. On 12/17 Guggenheim started shares at Buy with a \$90 target as it capitalizes on digitization of small and mid-sized businesses and efforts to increase product attach rates. On 11/25 Piper started coverage Overweight with a \$94 target, and on 10/30 RBC noted ZEN could be an interesting strategic M&A target as a small player in a large and growing market. Hedge Fund ownership fell 4% in Q3 filings but notable large opening new stakes by Corvex Mgmt. and Cadian Capital. Whale Rock added to its position as its 9th largest holding.

Hawk Vision:



Hawk's Perspective: ZEN between the spread positioning and Hedge Funds of note seems like an ideal M&A target and like some upside exposure to the name.

Confidence Ranking: \$\$