

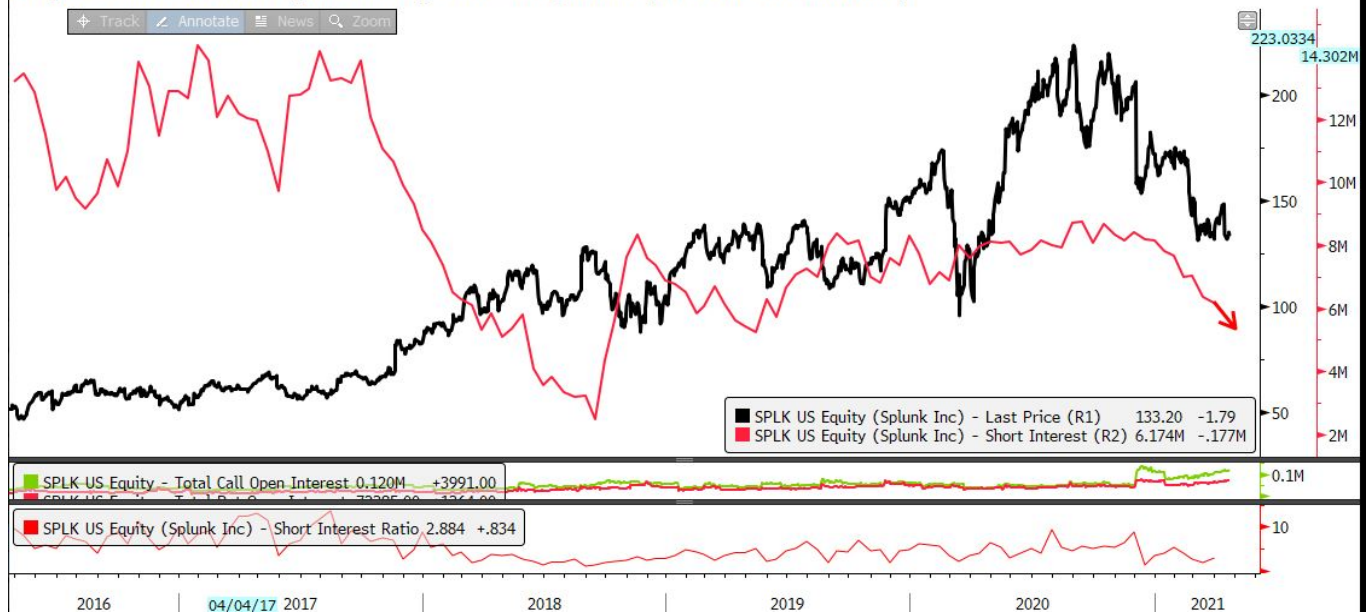
Splunk Inc.
Bull/Bear Debate

26-Apr-2021
11 AM

Speakers

Brad Sills - Equity Research
Brandon Levin - Equity Trading
Hamza Guennoun - Financing/Short Analytics
Lon Parisi - Equity Derivatives
Brian Fenske - Specialist Sales
Annie Liu - Specialist Sales

SPLK: historically one of the consensus Software shorts
Despite recent weakness/headlines, SI heading lower (convert arb unwinds)



IGV Constituent SI as % of Float



The Call Spread Strategy and Associated Risks

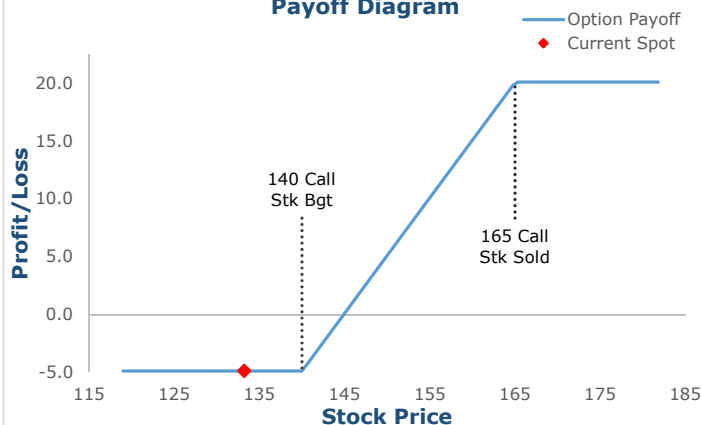
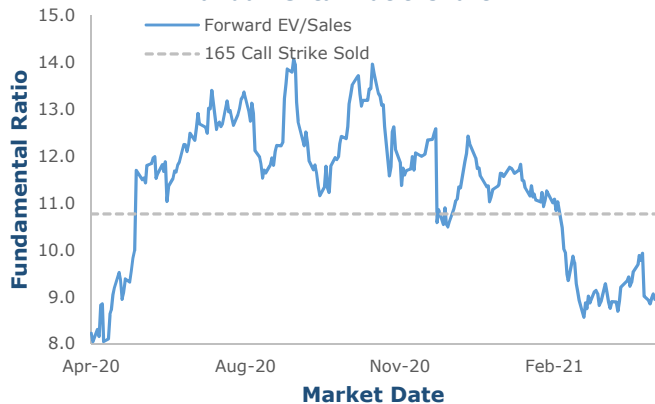
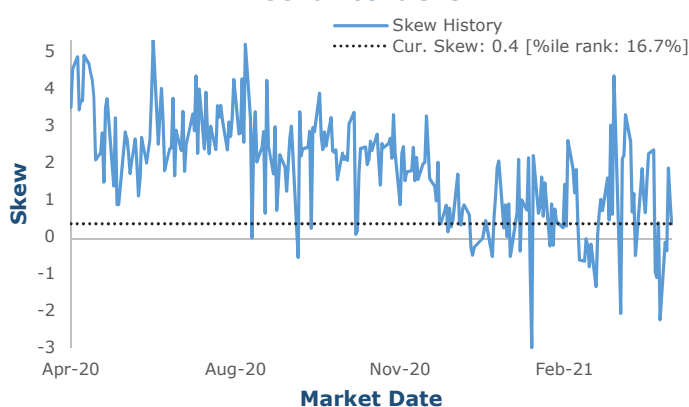
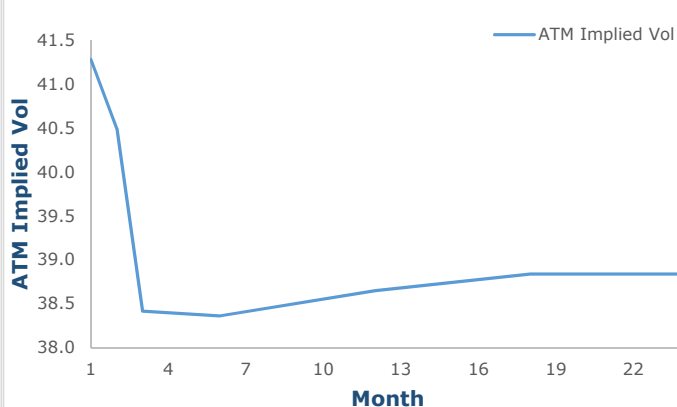
Perspective: Expected upside to certain stock price level (the call strike sold), the strategy cost is attractive, and do not want the equity risk if you are wrong

Risk(s): The premium paid for strategy, missing upside past the strike sold

Supporting Trade Reasoning

Data as of: 23-Apr-2021

- Stock is currently 69.6% from 52-week high (\$225.89, achieved 2-Sep-2020)
- BofA Buy-rated with +35.1% to the 180 price objective (+46.4% to the 195.03 cons. Price Objective: 23 buys, 12 holds, 1 sell)
- Potential Max Profit To Cost: 4.1x (risk \$4.89 to make \$20.11)
- 2M 95%-105% Skew (0.40) is on the lower side of its 52-week range: skew %-ile rank is 16.7% (see Skew Chart)
- Skew is being driven lower by cheap downside vol or put option value (2M 95 vol ranks 4.0% over a 1Y history)
- 165 Call sold is +23.9% away from current spot (see Stock Price chart)
- Forward EV/Sales ratio: (see Fundamental Ratio chart)
- Trade breaks even at +8.8% from current levels

Stock Price**Payoff Diagram****Fundamental Ratio Chart****2M ATM Implied Volatility****2M 95%-105% Skew****ATM Term Structure**

The Put Spread Strategy and Associated Risks

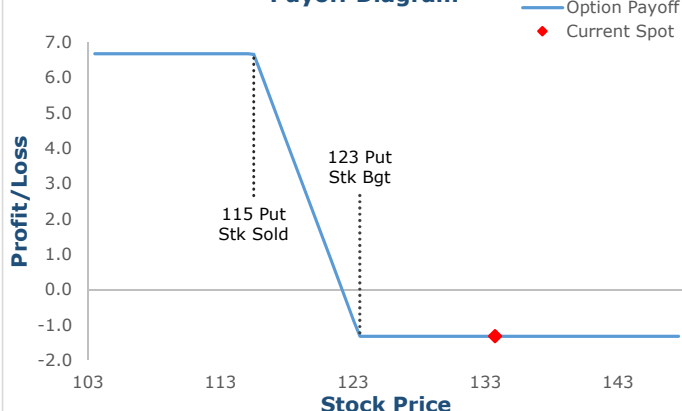
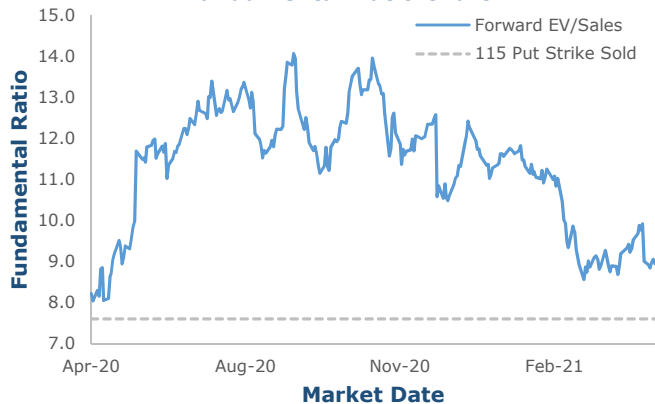
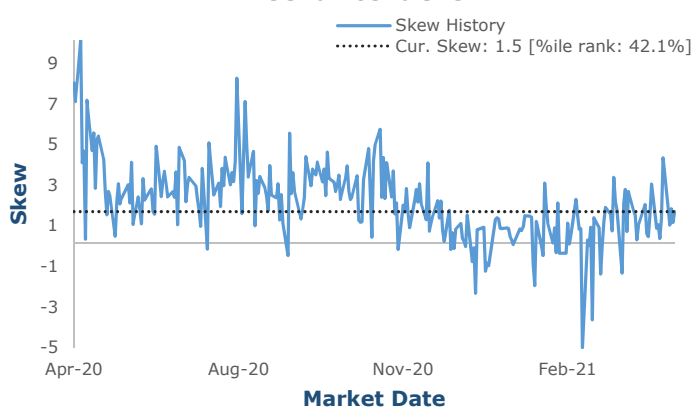
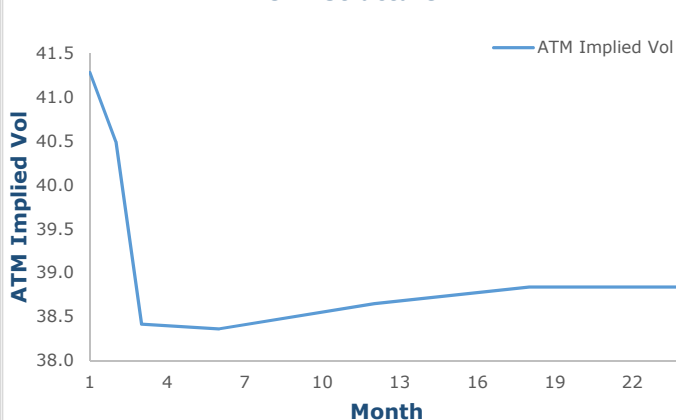
Perspective: Expected downside to certain stock price (the put strike sold), the cost of the strategy is attractive, but do not want the Equity risk if you are wrong

Risk(s): The cost of the strategy

Supporting Trade Reasoning

Data as of: 23-Apr-2021

- Stock is currently 69.6% from 52-week high (\$225.89, achieved 2-Sep-2020)
- BofA Buy-rated with +35.1% to the 180 price objective (+46.4% to the 195.03 cons. Price Objective: 23 buys, 12 holds, 1 sell)
- Potential Max Profit To Cost: 5.1x (risk \$1.32 to make \$6.68)
- 1M 95%-105% Skew (1.52) is in the middle of its 52-week range: skew %-ile rank is 42.1% (see Skew Chart)
- Skew is being driven lower by cheap downside vol or put option value (1M 95 vol ranks 18.3% over a 1Y history)
- 115 Put sold is -10.4% below the 52-week low (see Stock Price chart)
- Forward EV/Sales ratio: 115 Put sold is -5.5% below the 52-week low of 8.05 (see Fundamental Ratio chart)
- Trade breaks even at -8.6% from current levels

Stock Price**Payoff Diagram****Fundamental Ratio Chart****1M ATM Implied Volatility****1M 95%-105% Skew****ATM Term Structure**

Bank Of America Equity Derivatives Sales

BofA SECURITIES

Collar SPLK with May21 127-140 Bearish Risk Reversals for \$0.16 or 0.1% of spot [spot ref. 133.20]

The Collar Strategy and Associated Risks

Perspective: Low cost protection from material downside and confidence in a stock price ceiling (the call strike sold)

Risk(s): Upside participation ceases at the call strike sold

Supporting Trade Reasoning

Data as of: 23-Apr-2021

- Stock is currently 69.6% from 52-week high (\$225.89, achieved 2-Sep-2020)
- BofA Buy-rated with +35.1% to the 180 price objective (+46.4% to the 195.03 cons. Price Objective: 23 buys, 12 holds, 1 sell)
- Protection starts -4.8%, upside participation ceases +5.1%
- 1M 95%-105% Skew (1.52) is in the middle of its 52-week range: skew %-ile rank is 42.1% (see Skew Chart)
- Skew is being driven lower by cheap downside vol or put option value (1M 95 vol ranks 18.3% over a 1Y history)
- 140 Call sold is +5.1% away from current spot (see Stock Price chart)
- Forward EV/Sales ratio: (see Fundamental Ratio chart)
- Trade breaks even at -4.8% from current levels

