



Carvana Bulls See Upside as Impressive Growth Accelerates

Ticker/Price: CVNA (\$57.89)

Analysis:

Carvana (CVNA) is seeing continuous bullish options flow into the recent pullback in shares with 2,100 August \$45 calls remaining in open interest, buyers of 2,000 August \$60 calls, the November \$80 calls with 1,600 bought, the 12,000 January 2021 \$50 calls in open interest from buys with some spread against the \$80 strike. CVNA did also have a buyer of 5,000 August \$50 puts on 5/23. CVNA shares showed impressive strength through April and are +77% YTD though pulling back 18% in May and near a re-test of the 2019 flag breakout level with \$56.75 key support. The \$9B company provides an e-commerce platform for buying and selling used cars and has emerged as the leader versus similar peers like **CARG & CARS**. CVNA is trading 2.5X EV/Sales and posted 135% and 127% revenue growth the last two years with 85% seen in 2019 and 53% in 2020. CVNA has been expanding into new markets like California and Chicago which are giving it additional scale to compete with new entrants into the space. Data points from Edmunds indicate that rising new car prices and interest rates should swing the pendulum towards used cars in 2019 and tariffs also causing an uptick to Carvana traffic. CVNA is disrupting a massive and fragmented market and seeing robust financial metrics supporting growth and margin expansion. It is leveraging its growth to drive better profitability at scale with steady EBITDA margin growth. Analysts have an average target near \$70 while short interest remains high at over 40% of the float but been declining in recent weeks/months. BAML has an \$82 target on shares citing its explosive growth and execution towards its objectives. Citi out positive last week seeing CVNA on pace to beat Q2 unit estimates and has a \$90 target. CVNA recently priced a 4.2M share secondary at \$65/share. Cowen started shares Outperform with an \$81 target on 5-20 citing an auto-buyer survey suggesting continued market share gains and high customer satisfaction rates. RW Baird raised its target to \$85 citing a massive growth opportunity and evidence of the long-term scalability of its model. Hedge Fund ownership jumped 27% in Q1 filings, Tiger Global & Hitchwood with new positions while Whale Rock doubled its position.

Hawk Vision:



Trading Strategy: CVNA is an elite growth name though want to see some evidence of price basing and improving short-term moving averages before jumping back into this one.

Confidence Ranking: \$\$