



Bullish Trades in Chewy as Shares Base Post-IPO

Ticker/Price: CHWY (\$33.7)

Analysis:

Chewy (CHWY) showing strength today after 3,000 September \$32 calls bought yesterday and name with sizable open interest including the January \$35 calls, September \$35 calls, and October \$30 calls in OI. A buyer paid \$4.90 offer for 900 October \$32 calls this afternoon. Shares debuted a few months ago around \$35 and forming a nice base recently after initially selling off. A move above the post-IPO downtrend at \$34 targets a run up to \$40. The \$13.29B company trades 3.4X sales with 20% to 25% revenue growth expected the next two years and profitability by FY22. CHWY is coming off of a strong quarter where active customers grew 3.5M to over 11.3M total and net sales per customer rose 9% as they see ticket size and volumes grow. The company's subscription sales grew to nearly 67% of their mix, a higher-margin driver. CHWY is expanding out into new verticals like Pharmacy which expanded in Q1 and lots of room for growth as they convert more pet owners and get more exposure with veterinarians. Analysts have an average target for shares of \$37 with 5 buy ratings and 7 hold. UBS with a \$42 PT seeing CHWY making significant inroads across various pet categories online and a big \$87B TAM in the US alone. BAML starting at Buy noting that uptake of their Autoship program should drive upside and its low market penetration can see double-digit growth through 2023. Short interest is 1%. Melvin Capital with 4M shares, the largest holder, while Warath Capital and Baillie Gifford also notable. CHWY saw a number of insiders take part in the IPO with 11 different people buy stock at \$22, over \$6M between them all.

Hawk Vision:



Hawk's Perspective: CHWY is an IPO we previewed and I really like everything about the business, think it will be a long-term winner in the Macro-resilient pet space.

Confidence Ranking: \$\$