



Wayfair Bulls Position into Gap Fill

Ticker/Price: W (\$125)

Analysis:

Wayfair (W) drawing a lot of bullish activity this week as it filled the February earnings gap and finds some support. Yesterday, the February \$120 calls bought 500X for \$22.50 and spread vs a sale of the January 2021 \$80 puts 1,000X while the September \$120 synthetic long spreads bought on 8-6. On 8-2 the August \$120 puts sold to open 1,000X while the September \$145/\$155 call spread bought 650X. The September \$135 calls have also seen buyers. Today, the September \$125/\$120 bull put spread is active over 1275X. Shares gapped up to \$170 in February and pulling back to the 50% retracement this week around \$126. Wayfair is targeting a move back to \$140 on a rebound, big area of support. The \$11.67B company trades 1.6X sales and 16X cash with 29.8% and 23.4% revenue growth. Wayfair has seen margins improve the last three quarters as well after a multi-year period of contraction. The company guided to slower growth in Q3 but likely transitory impact from updates to their mobile app, seasonal hirings, and more investments on advertising and logistics. Their US business improved while the UK and German markets also strong. Analysts have an average target for shares of \$157. CSFB with a \$165 PT seeing gross margin benefits from improving scale of seller supply and logistics in its North American business, strong return on ad spend, improving repeat order rates, and incremental contribution from recent investments in UK/DE advertising campaigns. The firm thinks the company's near-term investments will lead to accelerated customer growth and reduced upfront cap-ex investments which will drive FCF growth. Canaccord with a \$175 PT citing expansion into newer categories and geographies. Short interest is high at 12.5% but down from 17% in March. Hedge Fund ownership fell 7.25%. Baillie Gifford and Prescott General notable holders. In May, a director bought \$423K in stock at \$141.

Hawk Vision:



Hawk's Perspective: Wayfair (W) is an attractive name with the long-term growth prospects and insider buying recently. It's not rallying much with the market this week, so one to keep tighter vs that recent lows.

Confidence Ranking: \$\$