



Revolve Call Spreads Sees Recovery into Holiday Shopping Season

Ticker/Price: RVLV (\$21.50)

Analysis:

Revolve (RVLV) another 2,000 November \$20/\$30 call spreads bought today for \$2.80, spot where 2000 have been bought already and has also seen December call spreads bought. RVLV does still have 3150 December \$20 puts bought on 10/21 in open interest as well. RVLV shares traded above \$48 after a strong IPO in June but now sitting just above \$20 trying to base the last few weeks, a move above the 50 MA at \$23.40 would be a bullish indication. The \$1.45B Company in an online fashion platform connecting customers to brands. RVLV shares are trading 2.4X EV/Sales and estimates calling for sustained 20% revenue growth the next three years and already a profitable company with 9% EBITDA margins set to rise to 15% in FY23. In terms of customer loyalty metrics, RVLV averages 7.3M unique visitors per month with 88% sales retention, an average order value of \$304, and 48.5% gross margins. Online penetration in apparel and footwear, accessories and beauty has increased from 3.5% to 13.0% globally and 6.2% to 18.9% in the United States from 2008 to 2017. Online penetration is expected to reach 16.2% globally and 26.6% in the United States by 2020. Analysts have an average target of \$41.75 while short interest is very high above 55% of the float. CSFB started shares Outperform with a \$40 target in July. Jefferies raised its target to \$65 in August citing robust growth in active customers and orders with rising margins.

Hawk Vision:



Hawk's Perspective: RVLV is an interesting growth story and at 28X Earnings with strong growth appears mispriced, though the short float is a concern, owning the name with downside put protection feels the best way to own the emerging story.

Confidence Ranking: \$\$