



Size Puts See Stitch Fix Weakness Continuing

Ticker/Price: SFIX \$22.35

Analysis:

Stitch Fix (SFIX) buyers of 7000 December \$24 ITM Puts for \$3.80 to open and follows size buyers of the January \$24 puts for over \$5M on 10-17 as well as accumulation in the December \$23, \$22, and \$20 puts. The December \$35 puts bought earlier this year remain in OI over 10,000X as well. Shares are rolling over a bit after trading back up to the 200-day MA and unable to press through recently. SFIX is also hitting downtrend resistance from the 2018 highs with a move lower targeting recent lows at \$15. The \$2.29B company trades 113X earnings, 1.45X sales, and 7.3X cash. Expectations for near-term profitability have come down quiet a bit recently with revenue growth slowing to 19% and then 16% the next two years. SFIX has rolled out new verticals like Men's wear and a children's line in recent years as well as new functionality like Direct-Buy that could be a driver into 2020. However, it faces a lot of challenges as well including tough comps, margin pressure as those new investments ramp, and higher inventories. Analysts have an average target for shares of \$28.50 with 7 buy ratings and 6 hold. Baird starting coverage at Outperform on 10-14 seeing a strong risk/reward in the name that offers a highly differentiated shopping experience, capable of capturing increased share of a highly fragmented apparel & accessories market. Wells Fargo lowering their PT to \$20 on 10-1 seeing little visibility into near-term EPS growth. Short interest is 24.8% and rising sharply since April when it was 8.1%. Hedge fund ownership rose 38.5% in Q2 and director Bill Gurley with a sizable \$3.1M insider buy on 10-10 at \$20.83.

Hawk Vision:



Hawk's Perspective: SFIX is giving a nice risk/reward on a bearish play against that 200-day MA in a name that could continue to see pressures near-term.

Confidence Ranking: \$\$