



Wayfair Long Term Bulls Bet on Resurrection in Shares

Ticker/Price: W (\$52)

Analysis:

Wayfair (W) longer term bullish trades positioning into recent weakness with 5000 January 2022 \$50 calls bought \$5.10 to \$5.40 back on 3/23 and on 3/30 the January 2022 \$80 calls bought 3000X to open at \$12.70. W has also seen near-term positioning with 1000 April \$55 calls bought 3/26 at \$11.80 to \$13.30 and on 3/27 the April 3rd (W) \$60 calls opened 1500X. W does still have 8000 May \$70 short puts in open interest as well. W shares peaked well before the market in early 2019 and showed weakness prior to the recent market move, shares down 70% over the past year. Shares on the monthly retested a key breakout from 2017 and have bounced back strong doubling off recent lows last week. The \$5.2B ecommerce leader for the home goods segment trades 0.5X EV/Sales and could see a spur in demand as brick and mortar shops close down. W remains far from profitability as it has been building out its logistics investing for the future as well as spending on marketing and infrastructure. It may also benefit from Amazon's decision to focus on medical products and delay certain shipments, so customers may turn to Wayfair. Analysts have an average target of \$75 and short interest at 37% of the float continues to rise to new highs. On 3/2 Needham noted the path to profitability remains unclear as revenues slowed last quarter citing tariff impacts, and notes 50% of products are sourced from China so the recent supply disruption could impact near-term numbers. Canaccord lowered its target to \$100 on 3/2 and sees potential for positive adjusted EBITDA by 2021 and likes the company with 20M active buyers, a diverse supplier base, and extensive logistics networking that give it a valuable competitive moat to support further market share gains. Gordon Haskett upgraded to Buy last week with a \$60 target seeing a nice reward/risk following a 75% pullback and sees a shift from travel spend resulting in higher home good spending in 2020 and into 2021 while also likely to gain market share from traditional retailers.

Hawk Vision:



Hawk's Perspective: W is a tough name to gauge as shorts continue to pile into it but the long term opportunity still appears attractive, though in this market environment prefer the more profitable names.

Confidence Ranking: \$\$