



Chewy Open Interest Bullish as Online Shopping Demand in Focus

Ticker/Price: CHWY (\$31.90)

Analysis:

Chewy (CHWY) buyers on Friday for 1,000 July \$33/\$37 call spreads and name that has seen accumulation in the January \$30 calls, April \$32 calls, and July \$30 calls over the last month. CHWY also has bullish open interest in the Jan. \$30 put sales and July \$30 put sales. Shares are starting to work out of a multi-month base above \$32 and pulled back on Friday to test the rising 8-EMA after a few volatile sessions higher. A breakout targets \$41 and a run at all-time highs. The late-2019 IPO is an obvious beneficiary of a greater near-term shift to e-commerce and online shopping given COVID-19 concerns and pets an area where individuals less likely to pullback on spending. The \$12.11B company also has tailwinds in the near-term as a niche-player with sites like Amazon (AMZN) prioritizing medical supplies and cleaning aids and some buyers could shift sites. Shares trade 2.65X sales and 89X cash with mid-20% revenue growth in each of the next two years. They see a quick ramp in profitability coming with breakeven by FY23. CHWY is coming off a strong quarter with better autoship sales, 11% growth in sales per active customer, and increased adoption of Pharmacy Services. CHWY continues to see incremental active customer growth, up to 12.7M, and could see a long-term addition from the COVID-19 shift as more people get familiar with the ease and use of their system. Analysts have an average target for shares of \$36.25. RBC Capital upgrading to Buy in late February noting that FY20 is a key profitability inflection year for the company and the fundamentals offer a strong risk/reward given 25% annual revenue growth and "materially" expanding margins. Wedbush upgrading to Buy on 1-27 citing higher pet industry online sales penetration potential to about 25% by 2023 based on trends in other sectors and increasing comfort that consumers have purchasing subscription-type consumables online. The firm also thinks CHWY can take half of that market growth. Short interest is low given how controversial the name was upon its debut, just 3.2%. Hedge fund ownership fell 2% in Q4 but Viking Global, Samlyn Capital, and Parian Global notable buyers. CHWY has seen some big insider buying since its debut including near \$2M bought in 2019 from a director at \$23.94 and \$22.00. Another director bought stock at \$27.50 in September and many took part in the IPO. CHWY will report on 4-2.

Hawk Vision:



Hawk's Perspective: CHWY continues to act well and an IPO I have liked from the start, large opportunity.

Confidence Ranking: \$\$