



Etsy Bulls See New Highs as Ecommerce Picks Up Steam

Ticker/Price: ETSY (\$76.5)

Analysis:

Etsy (ETSY) spread today bought 2,000 September \$85 calls for \$6.32 and sold 2,400 of the September \$100 calls for \$2.68 to open. ETSY has seen a lot of bullish flows lately and those still close to their original buy price include the July \$95 calls, July \$80 calls, and September \$70 calls. Shares rallied strong in March and April and now flagging above its 20-EMA and below \$85. A breakout targets a run higher to \$100 and further into space. Longer-term, ETSY broke out above the 2019 all-time highs at \$73.50, an area that it has back-tested already and held strong. The \$9.5B online retailer trades 11.85X cash and 10.85X sales with profitability expected to ramp from \$1.25/share to \$2/share in FY22. ETSY is coming off of a huge quarter with the lockdowns and COVID-19 driving increased adoption and use of their platform. They highlighted significant demand for face masks -- which may be volatile over the next 12 months -- but they also saw 79% Y/Y growth ex-masks and over 6.5M new users which they view as a huge opportunity to develop into longer-term buyers. ETSY is continuing to invest in their platform with best-in-class search and discovery tools and dominating their niche within the broader, massive online e-commerce market and plenty of room to grow. Analysts have an average target for shares of \$75. Citi with a \$100 PT as they see ETSY as a valuable platform to bring a lot of highly fragmented categories that are largely transacted offline into e-commerce. Sun Trust with an \$88 PT noting that even without masks, the demand for homemade products has "erupted" with inflecting growth trends for Q2 as the company is benefiting from surging consumer demand amid retail store closures. Short interest is 6.5% and down from 14% in April. Hedge fund ownership jumped 16.5% in Q1. Valinor with a new 1.4M share position while Cadian Capital now with a 7.5% weight and more than 3.9M shares.

Hawk Vision:



Hawk's Perspective: ETSY is a key player in ecommerce and an entrepreneurial societal push, a big beneficiary, and like this reward/risk as it nears the rising 34 MA again.

Confidence Ranking: \$\$