



FEATURED OPTIONS RADAR REPORT



Chegg Bulls Add into the 50-MA Pullback

Ticker/Price: CHGG \$75

Analysis:

Chegg (CHGG) with more than 3,000 September \$80 calls bought on the day up to \$2.80 and follows buyers of 2,000 September \$75 calls and the September \$115 OTM calls in early August. CHGG has also seen 450 January 2022 \$115 calls open. Shares have pulled back to the rising 50-MA of a strong trend and looking to work out of a bull wedge back above \$80. A run through new high has a measured target of \$110 and with MACD reset back near zero, plenty of room for expansion. The \$9.5B company trades 51X earnings and 18.85X sales with plenty of cash on hand and limited debt.

CHGG is in the sweet spot of digital transformation for education and a broader shift into online classes as the pandemic makes in-person schooling riskier. They are coming off a strong quarter with accelerated sub growth, up 58%, with both domestic and International enrollments surging. CHGG has brand recognition, scale, and a solid balance sheet which positions them well for further share gains and growth into 2H. They could continue to do smaller, bolt-on deals like Mathway to add to their impressive product lineup. Analysts have an average target for shares of \$85. Piper starting at Overweight on 8-26 noting that as education increasingly adapts to online learning models, Chegg should be a primary beneficiary given its core offering is digitizing the student experience. Citi upgrading to Buy on 8-4 as the firm now estimates 50% sales growth for Chegg in 2020 and 30% in the outer years. Needham a \$100 PT as usage rates have remained "healthy" throughout the summer with "minimal" potential enrollment declines being anticipated for Chegg. Short interest is 10.5% but down sharply from around 26% in 2018 and as high as 16% in 2020. Hedge fund ownership rose 2.29% in Q2. Sylebra Capital a top holder with 3M shares. On 8/6, a director bought \$100,000 in stock at \$84.04.

Hawk Vision:



Hawk's Perspective: CHGG is a solid executor within a growing thematic area with online learning getting a lot of pull forward due to COVID, the pullback here is an attractive spot

Confidence Ranking: \$\$