



FEATURED OPTIONS RADAR REPORT



Bullish Activity in Vroom Post-Earnings

Ticker/Price: VRM (\$61)

Analysis:

Vroom (VRM) bullish spreads are selling 1,250 September \$50 puts for \$1.70 to buy the \$60/\$75 call spread 2,000X for \$4.05 and name which has some upside Sept. call spreads in OI but otherwise quiet name since its debut in June. VRM ran strong up to around \$70 in early August before pulling in on earnings to the 50% retracement and rising 21-MA. A move above \$62 can fill the small gap and make a run at new highs. The \$6.89B company trades 5X sales and 10.5X cash with limited debt and explosive growth – forecasts for 96% revenue growth in FY21 and 56% growth in FY22 and profitability within three years. VRM is a leading online auto dealership focusing on used vehicles. They are coming off a strong quarter as demand swung positive after April and they worked inventory levels back up to normal levels which will help drive 2H outperformance. VRM is benefiting from better used car prices with Manheim noting yesterday that prices overall were up 3.4% to start August and continuing a trend as new vehicle supply remains lean. Analysts have an average target for shares of \$63.50 with 6 buy ratings and 4 hold. Wedbush with an \$80 PT noting that their flexible model allowed them to scale back and forth with the COVID demand dip in April and return in May and June. Baird a buyer into weakness noting that unit volumes and gross profit forecasts were bright spots and should the focus as guidance remains difficult to project. Stifel positive in July noting that VRM can easily win share from dealers and private transactions and become the number two online dealer in the used automotive space. Wells Fargo sees a long runway given their asset-light approach, experienced management team and \$840B total addressable market. Short interest is 0.9%. VRM saw a lot of smart funds take positions in Q2 including Durable Capital, Altimeter, Whale Rock Capital and Samlyn Capital.

Hawk Vision:



Hawk's Perspective: VRM looks to be another winner in this emerging space with CVNA the clear leader, and as noted yesterday like the name versus that recent low.

Confidence Ranking: \$\$