



FEATURED OPTIONS RADAR REPORT



Bullish Call Buys in Purple Innovation into Sharp Pullback

Ticker/Price: PRPL (\$19.90)

Analysis:

Purple Innovations (PRPL) trading 3.5X average calls today with buyers of more than 5,750 September \$20 calls from \$1.15 to \$1.40, name that has some large September \$25 and \$30 calls in OI but underwater with the recent pullback. PRPL shares have been on a tear since April up 5X from the lows and pulling back over the last month to the 38.2% Fibonacci retracement and back-testing a big breakout level at \$20. On the daily, MACD and RSI both resetting but in healthy trends and potential to turn around and resume the trend higher with a longer-term target of \$32-\$35. The \$1.15B company trades 26.2X earnings, 2.2X sales, and 12X cash with strong FCF, margins, and ROI owing to both their DTC model as well as vertically integrated operations. PRPL has raised estimates during the pandemic and now sees 25% revenue growth in FY21 and a big pull-forward in profitability estimates seeing \$1.15/share by FY22. PRPL is a maker of home furnishings – primarily mattresses, pillows, and cushions – with a focus on digitally-native DTC and online sales channels. PRPL shifted in March/April away from wholesale channels as the marketplace changed with COVID and they've been winning share in the nascent online marketplace for mattresses as they invest in fulfillment and production to meet demand. They're also benefitting from other home buying pushes in the home office categories while launching new complementary products like sheets which are expanding cross-sell opportunities. PRPL notes that 85% of mattress sales are historically in brick-and-mortar, so there will be some pullback in the 2H but the brand recognition they've gained since March as well as new customers brought into the ecosystem give them a strong base going forward. Analysts have an average target for shares of \$23 and Craig Hallum a Street High \$31 as they see the Purple brand rapidly gaining share and with capacity expanding on a clear line to \$1B+ in revenues. OpCo positive on 8-14 as underlying trends remain solid while RayJay noting that PRPL remains in prime position during the pandemic given its omni-channel distribution capabilities and sizable revenue and EBITDA growth opportunity over the next few years given its unique technology, price points, capacity expansion, and expanding third-party distribution. Short interest is 9.6%. Hedge fund ownership rose 54.5% in Q2. Coliseum Capital a buyer of 6.9M shares while Driehaus, Woodson Capital, and Kingdon Capital all buyers as well. Insiders active in March as well with the CEO and CFO both buying stock around \$8.55.

Hawk Vision:



Hawk's Perspective: PRPL looking to hammer on its 55 MA and give a trade-against level. It certainly is back to a nice level to pick up a hot brand and disruptor.

Confidence Ranking: \$\$