



## FEATURED OPTIONS RADAR REPORT



### Chewy Calls Bought into Post-Earnings Weakness

Ticker/Price: CHWY (\$56)

#### Analysis:

**Chewy (CHWY)** pulled back to rising 55 MA since earnings and big buyers today 1500 April \$55 calls \$11.10 to \$11.30 and volume running over 2550 now. CHWY has also seen October call accumulation all week across the \$50 and \$55 strikes while the October \$70 calls and longer-term January \$60 calls remain in OI from buyers in mid-August. Shares ran strong ahead of earnings hitting new highs above \$72 before pulling back and now sitting at key trend support as well as volume and cloud support. CHWY short-term has a target up around \$68 from the rising channel from the April lows. The \$24B company trades 4X sales with expectations for high-teens to low-20% growth in both FY22 and FY23 as they expand their product catalog and grow their private label business. CHWY continues to see strong demand due to COVID and a big pull-forward of customer activity as they added more active customers in the first six months of 2020 as they did in all of 2019 and seeing higher ticket growth as well as they become a more full-service outlet from food and care to health as well. CHWY has been focused on margins as they ramp up capacity and build out a customer network and Q2 showing solid expansion with continued room for improvement as they invest in automation and retrofit current facilities. They see profitability within two years behind lower costs and better pricing power. CHWY continues to have long-term tailwinds as pet ownership rises and a recent TDA poll showed that 33% of Americans have considered adopting a new pet during the pandemic. The latest APPA poll showed that pet ownership trends have increased since March while the “majority of pet owners report their spending has not been influenced by the current economy.” Analysts have an average target for shares of \$59 and RBC at a Street High \$74, the company is positive on accelerating revenue growth and record high gross margin as well as consistent customer adds. UBS positive on their expansion into Pet Health noting that given their efficiency and scale benefits, could be a big driver going forward. CSFB sees potential for an earlier move to profitability as COVID is pulling forward a significant amount of new business into 2020. Short interest is 3.9%. Hedge fund ownership fell 4% in Q2 but Samlyn Capital and Tiger Global remain top holders.

#### Hawk Vision:



**Hawk's Perspective:** CHWY has trend and 55 MA support so versus recent lows sets up positively on a reward/risk basis for one of the stronger Internet growth stories.

**Confidence Ranking:** \$\$