



FEATURED OPTIONS RADAR REPORT



Wayfair Bull Sees Long-Term Upside

Ticker/Price: W \$270.25

Analysis:

Wayfair (W) buyer on 9/17 of 800 January 2022 \$280 calls for \$71.20 in a stock replacement, over \$5.6M. Wayfair has recently seen buyers in the January \$270/\$350 call spreads with the \$210 puts sold while the January \$175 calls in OI over 750X from buyers at \$163.50 in August. On 8/4, the January 2022 \$270 puts were sold to open 2,000X for \$76.50. Shares have put in a massive run since we last dug into the name in March and pulling back recently to the late-July breakout spot as well as daily cloud support. A run above \$275 sets up for a longer-term move to \$350 and then measured move to \$450+ with MACD improving and RSI setting back up to run. The \$26.95B company trades 84X FY22 earnings, 2.35X sales, and 11.35X cash. Wayfair has raised estimates since April now seeing mid-double digit growth in FY21 and 20.5% revenue growth in FY22. Wayfair has been actively growing their customer base with 26M as of Q2, up 46% Y/Y, with significant repeat business. They're also seeing significant impact from investments in logistics which is giving them more flexibility during the surge in demand during COVID while allowing them to keep costs in line and strategically add suppliers. Wayfair is building a leading home goods platform in both the US and Europe and a massive market, estimated to be \$600B and still in the early stages of transitioning online. The latest retail sales report from 9/16 also continuing to show strength in furniture/home furnishing up 3.8%. They've got long-term drivers from additional partnerships with suppliers, a sprawling network of more than 12,000, while their logistics networks and existing infrastructure give them ample opportunity to gain share and grow at scale. The pandemic is helping Wayfair drive ad costs down while customer acquisition has been pulled forward significantly giving them a big advantage into out years. Analysts have an average target for shares of \$245 and Guggenheim at a Street High \$360 and noting in August citing the combination of a large addressable market, significant new and existing customer opportunities, and a leading industry position strengthened by technology and innovation. BAML downgrading to Neutral in August citing valuation while the firm's credit and debit card data shows Online Home Furnishings spending decelerated in August while also showing that Brick & Mortar Home Furnishings sales are recovering. Short interest is 16% and down from 25.3% in April. Hedge fund ownership fell 11%. Spruce House, Great Hill Equity, and Bares Capital notable holders.

Hawk Vision:



Hawk's Perspective: W has been an outstanding name since the March lows, up over 6X, and while the valuation may seem lofty in the broader context of their market opportunity there's a ton of room left to grow. Given the longer-dated timing of the options, one to accumulate on dips given the near-term looks like maybe more downside to \$205

Confidence Ranking: \$\$