



FEATURED OPTIONS RADAR REPORT



Unusual Call Buying in PetMed

Ticker/Price: PETS (\$32.35)

Analysis:

PetMed Express (PETS) trading 6X average calls this morning with buyers of more than 2,300 November \$35 calls up to \$1.75 and the March \$35 calls with buyers over 1,190X up to \$3.90. PETS still has over 1785 January \$45 calls in OI from buyers in May as well. PETS is forming an explosive weekly bull wedge pattern with a run above \$34.50 targeting \$40 and then room to \$50+ with MACD and RSI both setting up for a run. The \$650M company trades 19X earnings, 2.15X sales, and 7.5X cash with a 3.5% yield and double-digit EPS growth expected FY22. PETS is seeing steady 25%+ revenue growth during the pandemic and improving margins as they pare back advertising spend while maintaining strong customer acquisitions and repeat business, the latter up 19% in Q2. PETS will report in mid-October with August/September considered peak months due to flea and tick purchases and inventories becoming more normalized after some early shocks due to COVID in March. PETS is in a large, highly competitive space with veterinary care and medications growing 4.6% annually and a \$29.3B market in the US. They continue to grow share as a leading direct marketer of medications and benefitting from more veterinary centers closed or running at limited capacity (vets have about 80% of the prescription medications market vs PETS at 7% currently). Analysts have an average target for shares of \$30.50 with Sidoti at Street High \$41. Hedge fund ownership fell 10% in Q2 and short interest is high at 29.1% but down from around 55% in July 2019. PETS could be an interesting M&A target as well with Craig Hallum noting in 2019 changes in executive comp. that would benefit them with a sale process and in June note that JAB was looking to expand into pet care looking for deals to monetize the massive companion animal industry.

Hawk Vision:



Hawk's Perspective: PETS clearing a key moving average convergence out of a nice base and trend inflection looks solid. The animal health area remains a great area for investors with ZTS a clear leader, HSKA a small cap, CHWY a retail internet play and PETS looks undervalued.

Confidence Ranking: \$