



FEATURED OPTIONS RADAR REPORT



Unusual Call Buying in CarParts.com

Ticker/Price: PRTS (\$13.2)

Analysis:

CarParts.com (PRTS) with some notable large buys late in the day on Friday 10/23 with 2,000 December \$12.50 calls and 3,000 January \$12.50 calls bought to open, the former around \$2.55 and the latter at \$2.85 to \$3. PRTS has 1,000 January \$15 calls in OI from buying in early September as well. PRTS shares have been very strong since March with tailwinds from the pandemic and flagging on the weekly now just below new highs at \$15. Shares have a measured move out to \$20. The \$610.5M company trades 83X FY22 earnings and 1.2X EV/sales with growth estimates call for mid-teens to low-20% acceleration. PRTS is a leading provider of online aftermarket auto parts for both professional repair shops, especially collision, and direct-to-consumer. PRTS has been undergoing a big transformation as they shift from regional provider of collision parts into a full-fledged e-commerce retailer and wholesaler. They've expanded their product base adding thousands of new SKUs, revamped their website and mobile to target more DTC, and invested in a big tech infrastructure upgrade. PRTS is coming off a blowout quarter and should continue to see tailwinds from COVID as more people eschew air travel and move into personal autos. PRTS measures a lot of future demand off of miles driven which rebounded sharply in June and often a drive of higher-margin DIY parts sales. They see a huge long-term opportunity as they normalize inventories, improve supply chain, and expand their distribution footprint with e-commerce penetration for total auto sales still relatively low (28% in Q2 vs 17% in Q1). Analysts have an average target for shares of \$17.75, Craig Hallum a Street High \$20. Roth started coverage on 9/9 and positive noting that macro tailwinds, including accelerated e-commerce adoption and limited penetration, along with an expanding distribution footprint, new management team, and website revamp are catalysts for CarParts.com. DA Davidson positive on 9/1 citing a positive view of its efforts to advance its DTC sales. Short interest is high at 15.4% and jumping. Hedge fund ownership surged 37.5% in Q2, Driehaus, RK Capital, and G2 Investment all notable buyers. PRTS has also seen a lot of smaller insider activity this year including four different individuals on 9/4 around \$10.

Hawk Vision:



Hawk's Perspective: PRTS is an intriguing small cap growth name that could become a real player in ecommerce, definitely worth a look as a small cap investment.

Confidence Ranking: \$\$