



FEATURED OPTIONS RADAR REPORT



Put Sales See Minimal Downside in PetIQ

Ticker/Price: PETQ (\$28)

Analysis:

PetIQ (PETQ) unusual activity in the name this week as short puts in November expiration moved to December where 4900 of the \$30 puts sold to open, and on 11/18 the \$28 puts with 2,880X sold to open, confident in a name trading near \$28. These short puts are the only real notable open interest in the name. On the chart PETQ shares in a choppy range since 2018 and forming a possible inverse head and shoulders pattern with \$37 a key breakout level for a targeted move to \$57. PETQ is a pet medication and wellness company operating through a products and services segment, products spanning a number of indications while also including dental treats and various vitamins. The services segment operated at pet retailers across 41 states and includes diagnostic testing, vaccinations, microchipping and wellness checks. The veterinary services market is \$28.5B and products market at \$9B and PETQ looking to redefine the market. PETQ has been a strong growth story with sales at a 50% CAGR since 2016 and EBITDA at an 80% CAGR. The \$765M company currently trades 19.75X Earnings, 1X Sales and 37.75X FCF with revenues seen rising 7.4% this year due to disruptions and 21% in 2021. Analysts have an average target of \$40 and short interest is high at 22% of the float. Jefferies on 10-15 at Buy with a \$41 target noting the clear opportunity for an underserved and overpaying population for affordable care and services access. Guggenheim in June raised its target to \$44 with a Buy rating as a name having the largest upside/downside symmetry in animal health stocks and sees benefits from accelerating adoption of telemedicine and movement to online channels. Hedge Fund ownership fell 5% in the latest quarter filings.

Hawk Vision:



Hawk's Perspective: PETQ has a high short float and no major call activity but the company looks attractive as a disruptor in a strong pet industry and the reward/risk is sure compelling at current levels.

Confidence Ranking: \$\$