



FEATURED OPTIONS RADAR REPORT



Call Buyers Position for Earnings Beat from Education Services Leader

Ticker/Price: CHGG (\$86.20)

Analysis:

Chegg (CHGG) nearly 3,000 August \$100 OTM calls bought today for \$1.05 to \$1.20 as IV rises early. CHGG has some large longer-term calls in OI including 1500 January \$95 and 1,500 January \$100 calls bought in early March, each over \$1M+. Shares are setting up well with a flag forming under \$87.75 and a big volume node as well as downtrend resistance from the February highs. A move higher targets \$95 and the low-volume node from April. The \$12.2B company trades 50.3X earnings, 17X sales, and 6.5X cash. CHGG is coming off of a strong quarter supported by new student growth and expanded product offerings. CHGG is lapping some tough comps from last year but sees a huge opportunity to grow, especially within college products where they see their market growing to more than 20M students in the next 2-3 years. They also expect International will continue to be a big driver where the student opportunity is far greater than the US. In March, CHGG was at the MSCO conference and outlined a massive untapped market in the Skills learning segment where they think the pandemic will permanently boost growth as more people look for new job opportunities and companies look to train individuals for next-gen tech projects. Analysts have an average target for shares of \$103 with a Street High \$125. MSCO positive on 6/3 noting that their new 'Uversity' platform could help with retention and ARPU especially if included in bundled offerings. The analyst also thinks that a tighter relationship with educators helps ease bear concerns around cheating. Piper positive in May saying that CHGG remains in the early innings of their growth opportunity supported by strength in subscriber growth, account sharing efforts, and international. Hedge fund ownership rose 6.65% in Q1. Short interest is 8.2%.

Hawk Vision:



Hawk's Perspective: CHGG is a great longer-term story and above \$87.65 can make a nice run into earnings where any weakness would be a nice opportunity

Confidence Ranking: \$\$