



FEATURED OPTIONS RADAR REPORT



Casper Bulls Position for Upside as Small-Cap Moves Towards Profitability

Ticker/Price: CSPR \$8.30

Analysis:

Casper Sleep (CSPR) unusual volume today with nearly 10,000 September \$7.50 calls bought to open up to \$4 and running around 55X average with IV30 up nearly 100%. CSPR doesn't have a ton of open interest and name which has been fairly quiet since its debut in early 2020. Shares are working out of a narrow base today above \$8 and above \$9.75 has significant room to run with a low-volume gap back to its opening range around \$12-\$15. The \$295M company trades 0.62X earnings, 3X cash and working towards profitability which is now expected in mid-2021, far ahead of schedule. CSPR has benefitted from the pandemic's shift to more online sales as they initially grew in the e-commerce channel and have well established infrastructure to thrive. The company has been working towards profitability and a number of positive inflections in late 2020 including declines in customer acquisitions costs and better marketing leverage. They also continue to see margin expansion as they scale as they take advantage of their third-party manufacturing model. CSPR sees 2021 as a big year for growth with continued expansion in North America and building out their existing retail partnerships with Target (TGT) and Costco (COST) to give them a much more robust omni-channel strategy. CSPR sees their overall market opportunity with tons of runway with Sleep a growing pillar of health & wellness with a \$432B TAM across mattresses, bedding, bedroom furniture, and sleep accessories. Analysts have an average target for shares of \$10 with a Street High \$16. Goldman cutting to Neutral in November noting that they still think the company's wholesale-led path to EBITDA profitability will drive improvements in margins and earnings, but sees this being balanced by elevated brand risk. Short interest is 5.5%. Hedge fund ownership rose 13.5% in Q3. Insiders have been active buying stock too. In August, the Chief Product Officer and Chief Strategy Officer added at \$8.50-\$8.65 and in February a director bought around \$200,000 in stock at \$12. New Enterprise Associates, a fund with a big 10%+ stake and board seats, added \$30M in stock at \$12 too in the IPO.

Hawk Vision:



Hawk's Perspective: CSPR is an interesting name that has flown under the radar vs better plays in the space like TPX but a lot of potential to grow in a big space, so one to keep on the radar as it sets up again

Confidence Ranking: \$\$