

SPOTLIGHT OPTION TRADE



Ecommerce Darling with Substantial Downside Remaining with Poor Unit Economics

TRADE SNAPSHOT

TICKER	CVNA
SECURITY	Carvana
SECTOR	Consumer - Internet
CURRENT PRICE	\$138.60
LONG/SHORT	Short
TARGET	\$110
STOP	\$165
TIMEFRAME	1 Month

Trading Strategy: Long CVNA March \$130/\$120 Put Spreads at \$3.75 Debit

Net Debit/Credit: Debit \$3.75

Profitability Zone: CVNA Below \$126.25 on March OpEx

Options Volatility / Trade Simulator View:





Technical Analysis: CVNA shares are down 40% YTD but still have plenty of room before returning to a key volume node of support on the long-term chart and despite being oversold are likely to continue to face selling pressure as a long-duration name with high debt-servicing costs that also faces tough post-pandemic comps.



Fundamental Analysis: CVNA has a market cap of \$26B and has been disrupting the way consumers purchase cars with its online model but also is seeing increasing competitive pressures from established peers like AutoNation, CarMax and Lithia Motors. CVNA now trades just 1.7X EV/Sales but 125X EBITDA (FY22) and looking out to FY24 it still trades 10.65X EBITDA with top-line growth set to decelerate the next few years running a business with 14.2% gross margins and negative EBIT margins while also being extremely levered on its balance sheet with substantial debt. CVNA likens to Pets.com of this 2022 Tech bust. CVNA will see upside in pricing this quarter but even those tailwinds are starting to fade and with volume growth set to weaken it will likely create a scenario of even larger losses and likely to see building inventories. CVNA will likely burn \$1B in cash in 2022 and will need to raise even more capital, its share count has already risen to 85M in 2021 from 30M in 2018. Analysts have an average target of \$320 and short interest is elevated at 13.8% of the float.

Options Activity:

Date	Description	Volume	Open.In	Price	Delta	Impl Vo	Prob.ITM	Premium Paid	Symbol	Price	OI
2/11/2022	CVNA 100 (Weeklys) 25 FEB 22 177.5 CALL	8,071	0	\$2.85	0.187	117.18%	13.22%	\$2,300,235	.CVNA220225C177.5	\$1.65	11,005
2/11/2022	CVNA 100 18 FEB 22 138 CALL	513	2	\$8.50	0.599	97.63%	54.71%	\$436,050	.CVNA220218C138	\$4.00	510
2/8/2022	CVNA 100 18 MAR 22 185 CALL	600	406	\$6.05	0.27	88.88%	18.24%	\$363,000	.CVNA220318C185	\$2.80	950
2/7/2022	CVNA 100 20 MAY 22 240 CALL	1,524	4	\$4.95	0.19	83.35%	9.13%	\$975,360	.CVNA220520C240	\$3.10	1,456
2/3/2022	CVNA 100 18 MAR 22 190 CALL	4,020	41	\$4.90	0.227	87.17%	14.73%	\$1,969,800	.CVNA220318C190	\$2.69	4,097
2/3/2022	CVNA 100 18 MAR 22 170 CALL	2,007	562	\$9.15	0.362	90.30%	25.34%	\$1,836,405	.CVNA220318C170	\$4.78	2,832
2/2/2022	CVNA 100 19 JAN 24 350 CALL	300	61	\$22.37	0.33	63.69%	9.15%	\$671,100	.CVNA240119C350	\$22.37	346
1/31/2022	CVNA 100 18 MAR 22 130 CALL	275	11	\$39.90	0.79	94.85%	68.69%	\$1,097,250	.CVNA220318C130	\$18.65	787
1/27/2022	CVNA 100 20 JAN 23 150 PUT	602	412	\$46.75	-0.4	69.55%	67.26%	\$2,814,350	.CVNA230120P150	\$48.00	688
1/26/2022	CVNA 100 20 JAN 23 130 PUT	1,156	37	\$31.30	-0.28	79.09%	57.98%	\$3,618,280	.CVNA230120P130	\$36.00	1,103
1/26/2022	CVNA 100 20 JAN 23 165 CALL	730	11	\$37.10	0.59	77.91%	29.62%	\$2,708,300	.CVNA230120C165	\$41.00	512
1/25/2022	CVNA 100 20 MAY 22 170 CALL	538	5	\$25.20	0.52	88.35%	32.43%	\$1,428,390	.CVNA220520C170	\$15.42	770
1/19/2022	CVNA 100 18 MAR 22 230 CALL	5,326	69	\$3.55	0.15	82.53%	8.91%	\$2,077,140	.CVNA220318C230	\$0.74	9,141
1/19/2022	CVNA 100 18 MAR 22 170 CALL	520	21	\$19.30	0.5	84.12%	36.73%	\$962,000	.CVNA220318C170	\$4.78	2,832
1/14/2022	CVNA 100 18 MAR 22 175 CALL	15,789	1,237	\$14.40	0.439	82.97%	30.90%	\$22,736,160	.CVNA220318C175	\$4.75	17,736
1/14/2022	CVNA 100 18 MAR 22 200 CALL	15,716	806	\$7.80	0.292	82.55%	18.69%	\$12,258,480	.CVNA220318C200	\$1.80	27,883
1/13/2022	CVNA 100 18 MAR 22 175 CALL	828	442	\$21.35	0.54	72.45%	41.73%	\$1,759,500	.CVNA220318C175	\$4.75	17,736
1/13/2022	CVNA 100 18 MAR 22 180 CALL	603	5	\$19.00	0.51	75.31%	38.14%	\$1,130,625	.CVNA220318C180	\$3.86	967
1/12/2022	CVNA 100 18 MAR 22 170 PUT	1,595	1,059	\$20.20	-0.41	73.49%	53.31%	\$3,221,900	.CVNA220318P170	\$39.00	5,200
1/11/2022	CVNA 100 18 MAR 22 185 PUT	2,247	624	\$21.95	-0.43	71.81%	55.22%	\$4,932,165	.CVNA220318P185	\$50.33	2,546
1/10/2022	CVNA 100 18 MAR 22 170 PUT	868	300	\$18.50	-0.37	74.46%	49.98%	\$1,605,800	.CVNA220318P170	\$39.00	5,200
1/10/2022	CVNA 100 18 FEB 22 150 PUT	1,858	137	\$7.70	-0.25	80.19%	34.31%	\$1,495,690	.CVNA220218P150	\$12.62	1,693
1/10/2022	CVNA 100 18 MAR 22 175 CALL	618	18	\$23.65	0.59	73.04%	46.57%	\$1,461,570	.CVNA220318C175	\$4.75	17,736
1/5/2022	CVNA 100 18 MAR 22 175 PUT	5,101	181	\$13.00	-0.25	75.16%	36.96%	\$6,758,825	.CVNA220318P175	\$41.55	6,733
1/5/2022	CVNA 100 18 MAR 22 270 CALL	2,608	38	\$4.15	0.17	62.16%	11.10%	\$1,082,320	.CVNA220318C270	\$0.46	8,751

Potential Catalysts: Earnings 2-24-22

Disclaimer:

Not Investment Advice or Recommendation

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