



Carvana Calls Target New Highs for Online Auto Leader

Ticker/Price: CVNA ()

Analysis:

Carvana (CVNA) buyer of 500 August \$290 calls for \$21 to \$21.25, volume now over 1000X, and later 1,000 August \$300 calls bought starting around \$17.25. CVNA had buyers in the November \$300 calls yesterday and last week buyers active in the July \$260, \$280, \$290 and August \$280 calls. Shares have rebounded strong from the May lows and now back around a big volume area from February and March, so potential for some consolidation before continuation higher. The weekly is forming a nice bull flag under \$300 with a longer-term measured move out to \$365. The \$47.5B company trades 7X sales and 63X cash with 33% sales growth expected in FY22 and 35% in FY23. CVNA is coming off of a strong quarter with triple-digit revenue growth and record retail unit sales with expanding GPU. CVNA should continue to benefit into the Summer months from surging used car prices and expectations for higher miles driven on the year as demand for cars remains hot. CVNA is expanding capacity, adding to their inventory buying teams and widening their geographic reach to gain more market share in the highly-fragmented space. Analysts have an average target for shares of \$276 with a Street High \$420. RBC Capital starting at Outperform on 5/26 as the market for buying cars online is huge, fragmented and underpenetrated making it ripe for digital disruption and CVNA is in position to be the 'Amazon of the space.' Citi raising estimates on 5/11 citing strong earnings and expectations of improving productions capacity and access to inventory. Short interest is 25%. Hedge fund ownership rose 3.65% in Q1.

Hawk Vision:



Hawk's Perspective: CVNA may need to consolidate the recent move a bit and would wait for the 8- and 21-day to tighten up but overall remains the leader in a big, disruptive space and should see new highs

Confidence Ranking: \$\$