



FarFetch Bulls Look Towards Rebound in 2020

Ticker/Price: FTCH \$12.60

Analysis:

FarFetch (FTCH) with 3,000 March \$12 calls bought yesterday for \$1.75 to open and name that has drawn a lot of bullish flow lately including the July \$12 puts sold to open over 8,500X and over 4,000X July \$12 calls bought back in December. Shares are flagging just below the 200-MA and a big gap from August that stretches back to \$18. FTCH has been forming a big cup and handle under \$13 and longer-term measured target to \$18. The \$3.82B company trades 4.5X sales and 12X cash with profitability 2-3 years away. FTCH sees 51% revenue growth in FY20 and 23.5% in FY21. FTCH is an online luxury fashion retail platform with hundreds of brands on board. The luxury goods market has long been a hold-out for e-commerce and FTCH sees a massive opportunity to disrupt the \$300B market. The current market is fragmented and underpenetrated, especially in Asia where they see significant potential to reap the benefits of the secular shift. They partnered with JD.com (JD) in an effort to grow awareness in the Chinese market. FTCH has been working to reduce promotional activity and move into better profitability and reported digital GMV growth above 30-35% last quarter. Analysts have an average target for shares of \$22 with 9 buy ratings, 1 hold, and 1 sell. CSFB with a \$17 PT. The firm thinks it may be a few quarters before Farfetch shares find sponsorship with more investors as this is the first quarter following several material changes to the business, namely the pullback in promotional activity as well as the onboarding of New Guards Group. They also think that less promotional activity will actually drive more partnerships with high-end brands. Goldman with a \$21.50 PT noting that demand for luxury sales online is growing, and E-Concessions will take most share among third-party platforms. Short interest is 10.4% and rising. Hedge fund ownership fell 41% in Q3. Altimeter Capital a buyer of 1M shares and Glynn Capital a buyer of 510k shares. Earnings will be on 2-27.

Hawk Vision:



Hawk's Perspective: FTCH is setting up well in a flag here and a move above \$13.25 and eventual run back above the 200-day has potential for an extended move. Earnings last quarter were good but still a bit of a 'show me' story so would position as such.

Confidence Ranking: \$\$