



FEATURED OPTIONS RADAR REPORT



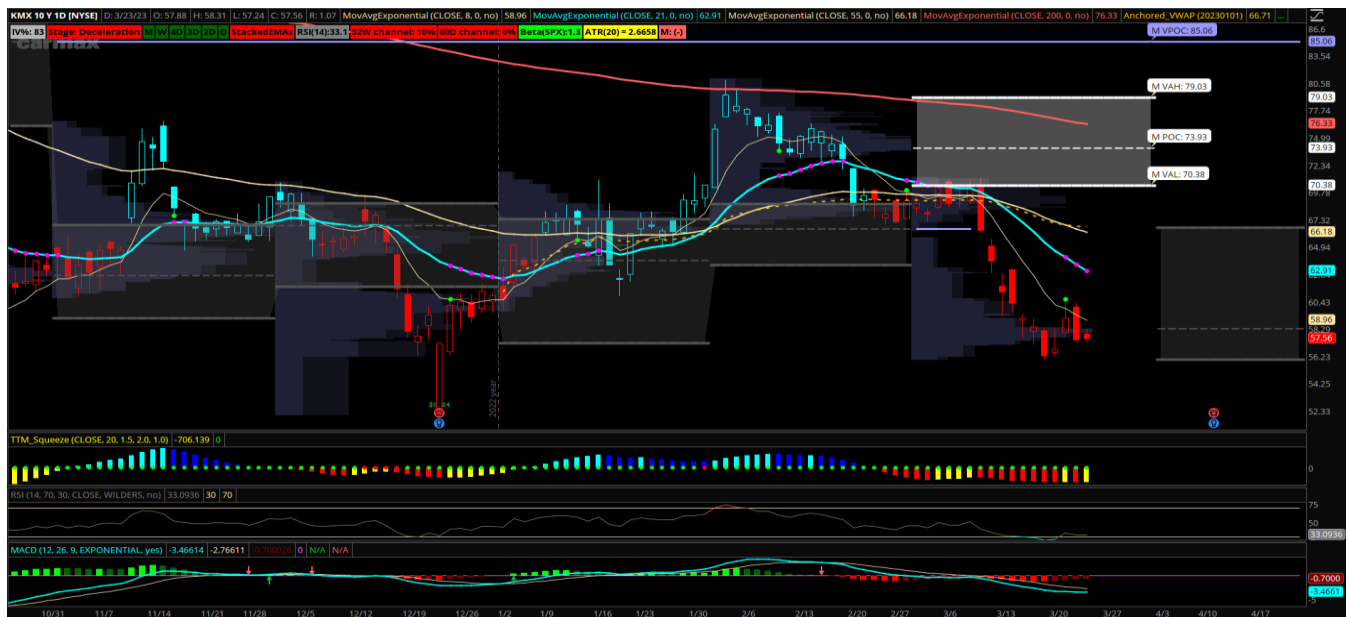
Large Put Buyer Adjusts Lower in Struggling Used Car Retailer

Ticker/Price: KMX (\$57.54)

Analysis:

CarMax (KMX) on 3/22 saw a massive buyer of 10,000 May \$52.50 puts bought for \$3.30 as the April \$55 puts adjusting down and out looking for lower prices to continue going into earnings next month. The stock has seen numerous bearish positions the past few months as it continues to work lower under the 200 day EMA since testing it near 80 in early February. The April 14th \$56 puts also bought 3000x at \$4.35 on 3/20 and spread against the \$48 puts sold, capturing the earnings date on 4/11. Also 5000 May \$50 puts bought at \$3.11 on 3/17 adjusting the April \$60 puts. Shares have been very weak and a laggard overall in 2023 as the stock saw a steep selloff early in March breaking under the 55 day EMA near 70 and now nearing the December lows which were made at 52.10. The stock has some decent support at that 50-52 level from volume nodes in March 2020 so likely a target on further weakness. Resistance overhead is stiff at 63-66 and 72 the bottom of yearly value. The \$9.1B company trades at 18.9x earnings, 1.0x sales, while revenue is expected to slow down and decline -6% in FY23 and fall to -7% growth estimated in FY24. CarMax, Inc. (CarMax) is a retailer of used vehicles. The Company operate in two reportable segments: CarMax Sales Operations and CarMax Auto Finance (CAF). The Manheim Index shows wholesale used-vehicle prices +4.3% month-over-month in February which tends to keep sales for used cars depressed while interest rates remain higher keeping away the marginal car buyer. Average analyst target is \$61. JPM lowered its target to \$55 from \$60 recently and keeps an Underweight saying it expects the company's fiscal Q4 results to come in below consensus. The used car backdrop remains challenging as sustained affordability pressures from still elevated used car prices and rising rates weigh on demand. Truist started at a Hold and \$66 target last month citing CarMax sales have declined for four straight quarters, and it expects trends to remain depressed due to sharply higher used vehicle prices and interest rates. Short interest is high at 14.1%. Hedge fund ownership rose 20% last quarter.

Hawk Vision:



Hawk's Perspective: KMX is a clear downtrend and looks like wants to retest that Dec low at 52 so can trade short ideally selling a pop to 60 level with stops above the 21 EMA closer to 63 currently.

Confidence Ranking: \$\$