



FEATURED OPTIONS RADAR REPORT



Put Seller Sees Limited Downside in Best-of-Breed Play on Latin American Ecommerce

Ticker/Price: MELI (\$1,756)

Analysis:

Mercado Libre (MELI) with 750 December \$1,500 puts sold to open today between \$66.75 and \$69.70, a more than \$5M position in the name. MELI sees a lot of a smaller, high-dollar trades in the options market including buyers recently in the December \$1,500 calls, September \$1,200 calls, and January 2023 \$1,880 calls. But, the most common trade we see is put sales in the name with active months and strikes recently around September, December, and January from \$1,600 to \$1,200. Shares gapped higher out of a multi-month range last week on earnings and measured move from the base targets \$2,030 and new highs. The \$89B company trades 11.5X EV/sales with 30%+ growth and accelerating profitability, now around \$2.85/share but expected to rise to \$12/share by FY23. MELI had a strong quarter with revenue growth driven by a significant take-rate expansion and growth in credit. Unique active users grew 47% with GMV up 39% as wider selection of both first-party and third-party inventory rose and delivery/logistics continued to improve. MELI continues to see significant opportunity in the region with ecommerce growth tracking about 10% higher in Latin American than other parts of the world post-pandemic. Analysts have an average target for shares of \$1867 with a Street High \$2,250. CSFB raising estimates last week noting that there is potential for MercadoLibre to consolidate market share amid the rising adoption of e-commerce in Latin America, and there is optionality for MercadoLibre to layer on incremental sources of Payments revenue. Stifel upgrading to Buy in May noting that they expect the long-term adoption of ecommerce in Latin America to be more permanent than in other countries given penetration is so low and consumer behavior was already shifting towards online as more physical businesses close. Short interest is 3% and near the lowest in five years. Hedge fund ownership fell more than 15% last quarter. Lone Pine added to their position while Egerton a new buy.

Hawk Vision:



Hawk's Perspective: MELI is a best-in-class name and set up well to trade back above \$2,000; the options are fairly illiquid which makes it difficult for trading, so one to either focus on stock or can target put sales as we have seen are more popular

Confidence Ranking: \$\$