



Wayfair LEAPS See Potential for Major Upside

Ticker/Price: W (\$108.35)

Analysis:

Wayfair (W) with 750 Jan. 2021 \$195 OTM calls bought to open early \$10.50 to \$11.50, also with 400 of the Jan 2021 \$210 calls bought to open \$10 to \$10.30. The \$85 and \$80 Jan. 2021 puts are also trading 300X each to open but looking sold to open and potential risk reversals. W recently has a buyer of 1,250 February \$110/\$115 call spreads, earnings not until 2-22 but AMZN reports tonight. W also has 1,000 each of the May \$85 and \$75 short puts in open interest. Shares put in a large weekly base right above its 61.8% Fibonacci level and breaking out back over all key weekly moving averages and the cloud this week with MACD crossing bullish and RSI back over the 50 line, room to \$120 near-term. The \$9.5B online retailer of home goods trades 1.5X EV/Sales and remain far from profitability, often the short case made for the name. W is expecting to grow revenues another 31.6% in 2019 after 42.6% growth in 2018. Analysts have an average target of \$117 on shares and short interest is 25% of the float, up 59% Q/Q and back near a three year high, though shorts been wrong in the name for a long time. CSFB upgraded to Outperform this week with a \$130 target, noting FY19 likely to be below estimates due to significant near-term investments, but the long term trajectory is very positive, and has a strong competitive position with major upside to margins over time. DBAB started shares Buy with a \$124 target earlier this week as well, and Cowen raised its target to \$130 in December on strong business trends. Hedge Fund ownership rose 13.65% in Q3 filings, new position for Samlyn Capital.

Hawk Vision:



Trading Strategy: W is a controversial name, I love the weekly chart look but the very high short interest definitely keeps me more hesitant, so if trading, a name to also own downside protection.

Confidence Ranking: \$\$