



## FEATURED OPTIONS RADAR REPORT



### Large Call Buy in Social Commerce Leader Trading at Cheap Valuation

**Ticker/Price:** POSH (\$24.75)

**Poshmark (POSH)** traded 7300 calls on 9/28 into a move to new lows which is 8X daily average and the focus was on May \$25 at-the-money calls as more than 4000 traded in offer sweeps at \$5.20 to \$6, a large position. POSH has seen very little notable positioning. POSH shares traded up to \$100 its IPO week and now below \$25 have steadily trended lower though some bullish RSI divergences showing up on the weekly chart. VWAP from its IPO week is up at \$46.50 and if a low is being put in this week the first Fibonacci retracement level is \$54.60 (38.2%). POSH is a social marketplace that combines the human connection of a physical shopping experience with the scale, reach, ease, and selection benefits of eCommerce. Active Users spent an average of 27 minutes a day on its marketplace browsing, shopping, buying, selling, and connecting with each other in 2019. POSH provides its sellers with end-to-end seller tools and sellers use content, inventory selection, and social interactions to monetize their listings. POSH has a transparent fee structure at 20% of the final price for sales \$15 and over, or a flat rate of \$2.95 for sales under \$15. POSH currently participates in the US online apparel & footwear resale market, which was \$7 bn in 2019 and should grow at a 39% 5-year CAGR (2019-2024) to \$36 bn by 2024, per GlobalData. POSH has more than 70M users and 20.5B social interactions with \$4B in total GMV. POSH is focused on product innovation to drive user engagement and is also looking to expand its international footprint. POSH currently has a market cap of \$1.93B and trades 5.3X EV/Sales and just 3.3X Cash with no debt. POSH forecasts see revenues growing 25-30% annually the next five years while profitability seen in 2022 and ramping through 2025. POSH is executing against its international expansion including Australia in February and a pre-launch in India that's targeted to launch in 3Q. In addition, POSH should benefit from product innovation (e.g., Art and Design), new partnerships (e.g., Snapchat), international expansion, category expansion, and new seller services. POSH long-term EBITDA margin targets are in the 30-35% range and secondhand retail is seen more than doubling its market share by 2029. Industry growth should benefit from the growing importance of sustainability among consumers as well as the declining stigma of shopping secondhand. Analysts have an average target of \$45 and short interest is 8% of the float. Goldman initiated shares in February at Neutral due to valuation of 14X Sales and a \$67 target, so now at 5X Sales could call for an upgrade as the firm was very positive the story. Berenberg started shares at Buy with a \$42 target on 9/28 seeing POSH's superior growth and cash generation as attractive. Needham was a bit cautious recently on POSH's marketing spend compressing margins. Cowen has a \$55 target seeing pent up demand for apparel and likes the partnership with Snap.

#### Hawk Vision:



**Hawk's Perspective:** POSH is one ugly trend but looking at all the metrics and the opportunity is a large and growing market shares are looking to be a nice long-term entry at these levels.

**Confidence Ranking:** \$\$