



Stitch Fix Calls Accumulate into Quarterly Results

Ticker/Price: SFIX (\$28.50)

Analysis:

Stitch Fix (SFIX) seeing increasingly bullish activity as its March 9th earnings date draws closer, on 2/19 the June \$35 calls that are fairly far OTM and saw 1000X bought on 2/18 traded another 4000X. SFIX has a large position of nearly 9000 March \$20 calls in open interest from buyers late September 2019, and the March \$26 calls with more than 7000X with a big buyer back on 1/30 while March \$28 calls were bought 3500X back on 1/23. A large June \$30 put purchase of 7000X from 12/11/2019 also remains in open interest. SFIX shares have closed higher three of its last four reports and a six quarter average max move of 26.8%. The \$2.8B provider of an e-commerce service for apparel trades 1.4X EV/Sales with revenues seen growing 20-22% per year in 2020 and 2021 and profitability expected this year. It is targeting a massive opportunity in the \$431B apparel market in the US/UK set to reach \$527B in 2023 with online sales expected to have a 13.8% CAGR. SFIX drives a capital-efficient model and has shown strong client retention. Analysts have an average target of \$30.50 while short interest is very high at 48% of the float and trending upwards. On the weekly chart shares have put in a third key higher low while weekly RSI this week is clearing an 18 month high, the \$32 level the next major level of resistance. DA Davidson upgraded shares to Buy on 1/30 with a \$29 target seeing multiple catalysts this year allowing for growth of its active clients and revenue per client, seeing the direct-buy functionality gaining real traction and driving more wallet share. SunTrust raised its target to \$38 in December seeing sustainable positive trends with the last quarter showing healthy demand and sees it as a winner in a struggling retail industry. RW Baird with a raised \$33 target in December noting healthy top-line momentum and better than expected margins with significant whitespace ahead as the company invests in new categories. Hedge Fund ownership jumped 35% in Q4 filings, new position for Scopus and Coatue Mgmt. while Jackson Square remains a top holder.

Hawk Vision:



Hawk's Perspective: SFIX is a tough call, the short interest is so high it is a red flag but overall the business model is strong and valuation not terribly rich, so it has the potential to be another great short squeeze and best to define your risk utilizing options.

Confidence Ranking: \$\$