



Wayfair Bearish Bets Accumulate

Ticker/Price: W (\$99)

Analysis:

Wayfair (W) continuing to draw size bearish flow today with 1,000 March \$105 ITM puts bought up to \$14.70 and follows buyers in the March \$100 puts over 5,000X last week for more than \$6M while the February \$100 puts bought 2,200X on 1-7 for \$1M+. Shares have been in a steady downtrend since early 2019 from their peak around \$160/share and gapped down on earnings in October. The recent move higher in shares has filled that drop back to around \$100 and a reversal under today's lows at \$93.50 opens up a potential re-test of \$80. The \$9B online furniture retailer trades 1.05X sales and 7X cash with profitability a long way off. W is facing a number of headwinds that are weighing on long-term revenue growth which is expected to slow to the high 20% range in FY22, down from 35-40% in 2019. The company highlighted a sharp impact from tariffs last quarter which continues to weigh on margins while coming off a big year for spending on infrastructure, logistics, and marketing. And, given the need to likely keep up with growing competition in the space from Amazon (AMZN) and Target (TGT) which are both exploring free shipping on furniture, Wayfair may need to continue pushing expenses higher and at risk in 2020 from another capital raise. Analysts have an average target for shares of \$124.25 with 14 buy ratings, 10 hold and 2 sell. Piper positive on 1-9 with the company entering a digestion mode after a big capital expenditure push. Sun Trust is Neutral on the name seeing risk to their outlook from tariffs. Stephens with an interesting note on 11-18 highlighting a potential end to their tie-up with Aaron's (AAN) in rent-to-own which would take away a big channel of customers. Short interest is 21.6%, the highest all-time levels, and up from around 12.5% in August. Hedge fund ownership rose 3% in Q3 with Whale Rock Capital and Senator Investment buyers. Citron a vocal short on the name. In August, a director bought \$3.1M in stock at \$109.75. Wayfair (W) also with near 600 February 28th (W) \$103 puts bought up to \$12.50 this morning.

Hawk Vision:



Hawk's Perspective: W flows are showing major concern into its next report and combined with short interest and price-action, one of the better looking shorts.

Confidence Ranking: \$\$