



Bullish  
**Opportunity  
Alert:**

**CVNA**

September 23,  
2019

# Carvana Co. (CVNA) A New Way to Sell Old Cars



## Analysis

### Historical Correlation: Predictive of Sales

Purchase Intent (PI) Mentions for Carvana have accurately predicted top-line revenue growth and the resulting stock gains.

### Purchase Intent Trend: YoY Strength

Carvana's PI Mention volume has risen steadily for the past two years, and the trendline has never been far from an ATH level.

### Stock: Up 135% YTD

Despite losing more than 50% of its value in the final quarter of 2018, CVNA stock has since rallied to a new all-time high price.

### LikeFolio Expectation: Continued Growth

Carvana's revolutionary business model has already demonstrated impressive results, and the rising volume of PI Mentions points to future improvements for this relatively new company.

# Bullish Opportunity Alert: **CVNA**



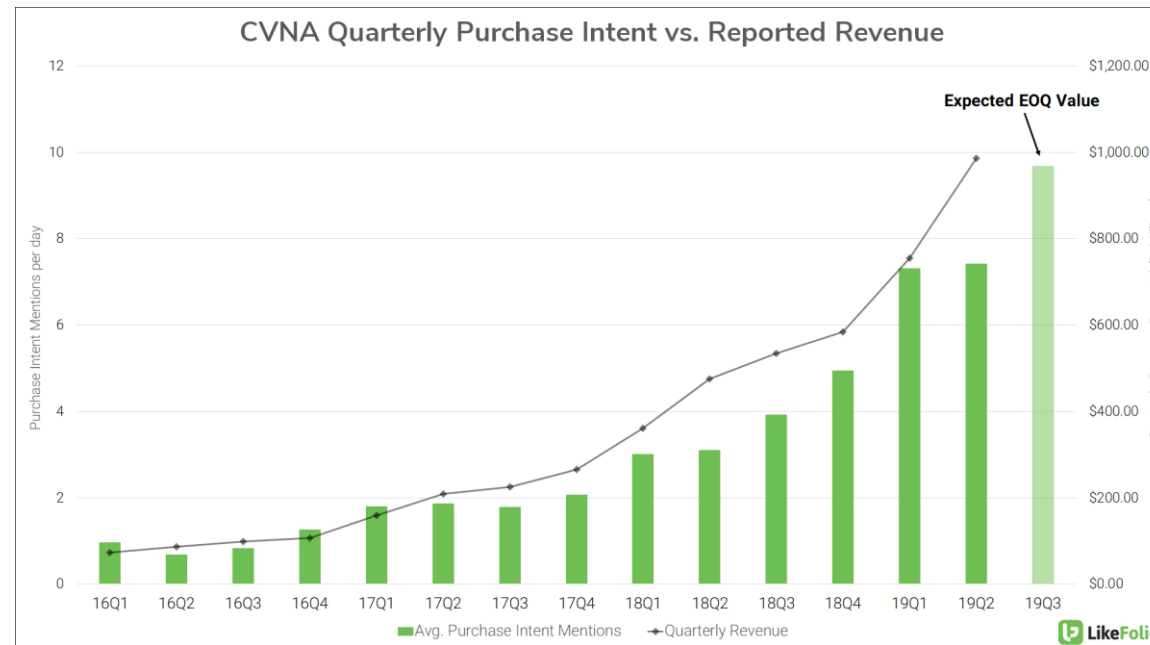
The 90-day moving average of CVNA Purchase Intent Mentions successfully forecasted the stock's Bullish price action in 2019.

# Bullish Opportunity Alert: CVNA

Carvana has successfully made headway into the highly-competitive used car industry, with a unique focus on e-commerce and branding.

Although established competitors, such as Carmax (KMX), utilize a similar business model, Carvana's emphasis on technological innovation and customer convenience has allowed them to secure an expanding portion of the total market share.

CVNA has yet to turn a profit, but the management team's high-growth mindset has already established a strong foundation for the future.



## Key Points

Carvana's Purchase Intent Mentions have improved exponentially since 2016, which has resulted in phenomenal revenue growth for the company.

CVNA PI Mentions have risen to a new high in the current quarter, which suggests a continuation of the ongoing sales expansion.

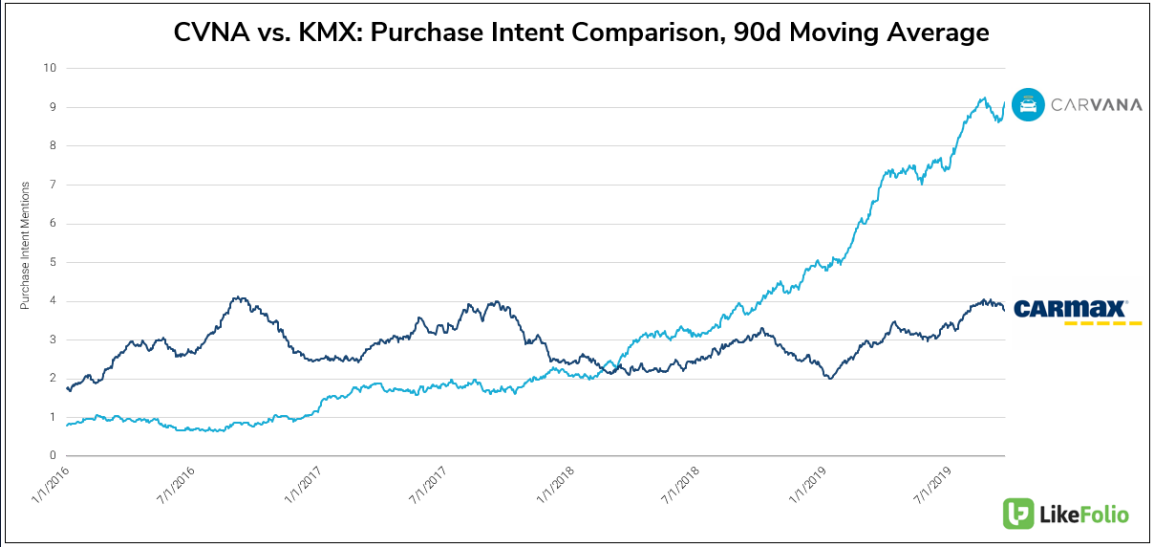
Despite Carvana's lack of profitability, they've consistently improved vital areas of the business, including wholesale vehicle sales (higher margin), average monthly site visitors, and total active markets in the U.S.

Due to the unproven nature of the company, we expect a significant amount of price volatility in the short-term. If CVNA PI continues to grow at the established pace, then a move lower would only serve as a superior entry point into an extended Bullish position.

# Side by Side Comparison: CVNA & KMX

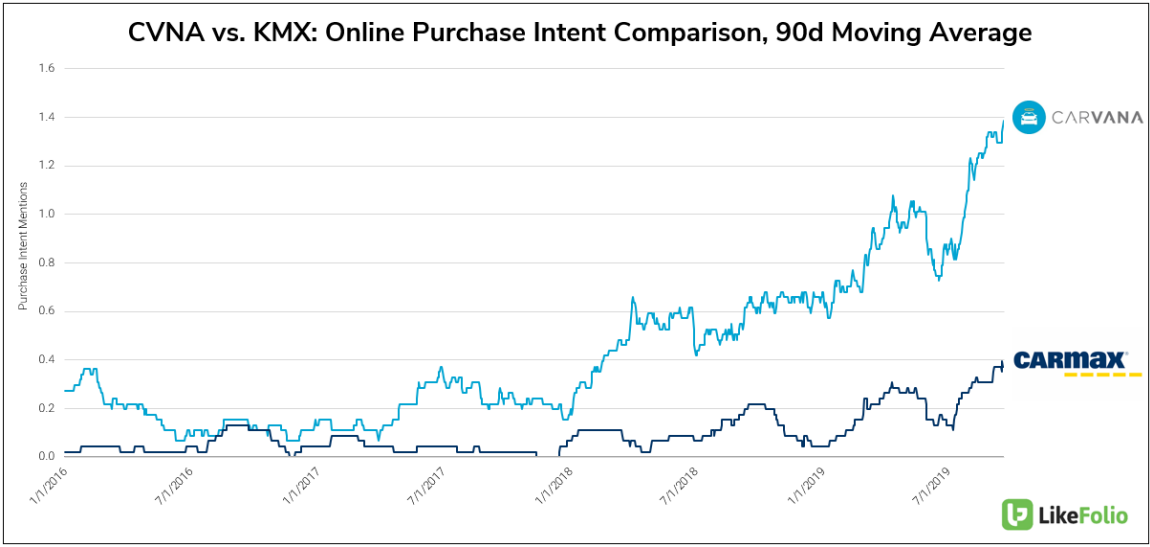
## Purchase Intent Mentions:

A side-by-side comparison shows that the trendline of Carvana's PI Mentions has overtaken that of Carmax (KMX) over the past two years. This exemplifies the success of CVNA's efforts to draw consumers away from the established competition.



## Online Purchase Intent Mentions:

Another comparison, using Online-Specific PI Mentions, clearly details Carvana's dominance as an e-commerce platform.



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## Potential Trade Ideas

**Simple Option:** Wait for dips in price to buy the stock.

**Option Spread:** Sell the 21 Aug. 20 85/80 Put Spread @ \$3.10 Credit.

- **Spread Scenario #1 (Max Gain):** \$CVNA closes above \$85 per share on 8/21/2020.

**Outcome:** Both Put Options expire worthless, netting a gain of **\$310** premium for each contract sold.

- **Spread Scenario #2 (Max Loss):** \$CVNA closes at or below \$80 per share on 8/21/2020.

**Outcome:** Both Put Options expire in the money for a loss of **\$190** per contract, equal to the maximum loss per contract (\$500) less the premium gained (\$310).

**Aggressive Option:** Sell OTM Puts with an expiry date more than six months in the future.

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