



Unusual Far Out of the Money Upside Calls Bought in GreenSky as Momentum Picks Up

Ticker/Price: GSKY (\$13.15)

Analysis:

Green Sky (GSKY) has seen 9,000 September \$20 calls open in the past week with buyers paying \$0.70 to \$0.85 and selecting the maximum timeframe and strike available in a name trading at \$13. GSky also has over 4,000 June \$12.50 calls in open interest from buyers on 2/13. Shares recently jumped on earnings and now flagging just under its 100 day MA, and also triggering a favorite pattern of the post-IPO downtrend breakout, shares trading as high a \$27 in 2018 and recently bottomed near \$8.50. Two potential retracement level targets of note at \$15.50 as the 38.2% and \$17.70 as the 50%. The \$2.4B provider of payment solutions for merchants, consumers, and banks trades 14.2X Earnings, 12.2X FY19 EV/EBITDA, and 6.1X Sales. GSky grew the top-line 23.5% and 27% the last two years and expects 32.8% growth in 2019 along with 45% EPS growth. In August a Director bought nearly \$1M in stock at \$15.69/share. GSky provides financing and payment solutions across the entire cycle for a loan from credit applications to settlement. The company has a wide base of customers with 13,000 active merchants leveraging their platform to expand and 1.9B consumers receiving a personal loan. The company did \$11B in cumulative transaction volumes. One of the biggest areas they service is home improvement loans, an area where consumers spent \$315B in 2017. GSky sees significant opportunity to expand their market share with their bank partners extending \$4B in loans for projects last year. Elective healthcare projects are another area of significant opportunity. Their technology allows for faster funding, better integration with merchant sales associates, and higher sales volumes and average ticket. GSky's transaction volume growth was 34% last year and it sees its addressable market as "huge." Short interest remains elevated at 21% of the float. On 12/10 Sandler O'Neil upgraded shares to Buy citing confidence in bank partner relationships. SunTrust was out positive with a Buy rating and \$14 target after earnings seeing confidence in momentum despite low visibility round its credit costs and should work well in an ample bank liquidity environment. Hedge Fund ownership soared 72% in Q4 filings, Shapiro Capital taking a \$74M stake and Pacific Investments with a \$77M stake.

Hawk Vision:



Trading Strategy: GSky looks like a name that could squeeze the shorts and has a notable gap to fill to around \$14.40 for shorter-term traders. The June \$12.5 calls fit my preferred Delta strategy more as a way to ride this momentum.

Confidence Ranking: \$\$