



## Square Bulls Position for Upside in the Second Half

**Ticker/Price:** SQ (\$67.50)

### Analysis:

**Square (SQ)** with 2,500 September \$65 calls bought \$7.40 to \$7.60 this morning as shares move out of a downtrend and the recent correction reversing right at the rising 89 week MA similar to the S&P and also putting in a weekly bull engulfing putting that recent low as a trade-against level. SQ sees a lot of positioning and long been popular with opening put sales while 10,000 December \$70 calls opened in a massive trade on 5/20. The \$27.4B payments leader is trading 58X Earnings and 13X EV/Sales with revenue growth of 49% in 2018. Square is building out a unique ecosystem of payment related products for merchants and individuals. It sees a \$26B revenue opportunity in the US alone and building a \$70B eco-system between US Payments, E-Commerce, Software, Square Capital, and Caviar. Analysts have an average target of \$82 on shares and short interest at 7.5% of the float has been moving lower in recent weeks. JP Morgan out positive this morning seeing Square Card as the next big sales driver, seeing \$10B value by 2020, and has an \$86 target on shares. Barclays has a \$96 target seeing Cash App driving upside to estimates and platform growth expanding. Guggenheim has a \$94 target seeing adjusted EBITDA due for rapid compounding with emerging tailwinds in international markets, expanding hardware lineup, and new products driving growth, seeing \$3B in adjusted EBITDA and \$4 EPS by 2024. Hedge Fund ownership jumped another 20% in Q1 filings, Jericho with a new large stake, and Whale Rock adding to its position.

### Hawk Vision:



**Trading Strategy:** SQ is putting in a nice weekly candle and as noted earlier a nice trade-against level for a top growth name with a lot of upside opportunities in the right space.

**Confidence Ranking:** \$\$