



Pag-Seguro Seen to Have Further Upside

Ticker/Price: PAYS (\$44.15)

Analysis:

PagSeguro (PAYS) shares pulling back to the rising 20-day MA this week after a strong run higher and seeing buyers yesterday for more than 4,000 August \$45 calls up to \$2.25, a more than \$815k trade. PAYS had buyers last week in the January \$52.50 calls for over \$574K while buyers in the February \$55 calls in early July remain in OI. Shares have been on a strong run recently and clearing the post-IPO highs around \$40. PAYS shares had been under pressure for most of 2018 but out of this range has a long-term measured target to \$60. The \$13.84B company trades 28X earnings, 11.2X sales, and 21.5X cash with 25-30% EPS growth and mid-20% revenue growth the next two years. PAYS is one of the more intriguing long-term stories among financials with secular tailwinds from the pro-growth administration and a wide and expanding product reach for SMID businesses. PAYS is coming off a strong quarter with 70% growth in TPV and 42.5% growth in active merchants. Analysts have an average target for shares of \$37 with 8 buy ratings, 2 hold, and 1 sell. UBS positive with a \$58.50 PT seeing considerable opportunity from PagBank which has not fully captured in estimates. The firm thinks PAYS is well positioned to capture banking related fees with a large and growing client base that is underserved by the traditional market and multiple streams of revenue. CSFB upgrading on 7-22 citing a promising long-term outlook and potential for PagBank to become a hyper relevant bank for micro-business owners and their families. Guggenheim out positive on 7-12 after checks of SimilarWeb's April-June data indicated that POS checkout page traffic improved sequentially in Q2 and PagBank mobile app downloads surged in June. Short interest is 4.9%. Hedge Fund ownership fell 21% in Q1. Sylebra capital, Whale Rock, and Winslow Capital all notable holders.

Hawk Vision:



Hawk's Perspective: PAYS has been on a big run after being a favorite in S.A. along with MELI. With earnings nearing on 8-15 not looking to take any action here, but continue to love the long term story.

Confidence Ranking: \$\$