



PayPal Bulls Position for Strong Earnings

Ticker/Price: PYPL (\$108.30)

Analysis:

PayPal (PYPL) yesterday with buyers of 6,000 May \$110 calls up to \$5.50 to open in the afternoon and later 1,000 October \$85 puts sold to open for \$4.45. PYPL has seen a lot of bullish flows into the recent rebounding including 1,500 May \$115 calls bought on 4/15, 900 August \$110 calls bought on 4/14, and buyers in the Jan. \$110 calls and June \$97.50 calls in early April. Shares pulled back to breakout support from early 2019 around \$90 and the 38.2% Fibonacci of the four-year bull run and now back above the 200-MA and bullish 8/20 crossover late last week as momentum shifts. A move above \$120 and out of this multi-month channel targets \$150. The \$127.16B company trades 26.56X earnings, 7.15X sales and 11.8X cash with limited debt and ample liquidity. PYPL gave a Q1 update in late February seeing revenues on the low-end of guidance but did note that stronger results across their diversified business is partially offsetting the pressure on SMB. PYPL will undoubtedly see some volume issues in Q1 as they have exposure to merchants like Airbnb, Uber, Live Nation and others in the travel/leisure space through Braintree. But, increases in e-commerce spending during the shutdown as well as a greatly expanded mix into areas like food delivery, crowdfunding, online donations, mobile gaming, streaming video, and more will all see volume boosts. Venmo volumes could also see an incremental boost as the government's new Emergency Money for the People Act introduced on 4/15 specifically mentions PYPL as a method to get government payments to individuals. Analysts have an average target for shares of \$125. Stephens positive on 4-9 noting that recent Fed assistance is positive as it has additional small and medium business help. Wedbush with a \$120 PT on 4-6, somewhat cautious on brick-and-mortar SMB spending but did note that PYPL will likely gain incremental share in eCommerce CNP volumes, especially as online orders capture a larger portion of payments-related transaction flow and that the company's consumer-facing platform will likely benefit from incremental P2P volumes. Short interest is 1.2%. Hedge fund ownership rose 1.6% in Q4. Lone Pine, Point72, Tiger Global, Melvin Capital and Eminence Capital all notable buys.

Hawk Vision:



Hawk's Perspective: PYPL indicated to open this morning above the key \$110 level and remains a likely winner out of this crisis with room to \$117 near-term.

Confidence Ranking: \$\$