



## Square Bulls Continue to Position for Upside Move to New Highs

Ticker/Price: SQ (\$90)

### Analysis:

**Square (SQ)** bullish flows today with 2,000 August \$90 calls bought early for \$8.15 and the July \$100 calls also active over 5,500 with buyers. Today's flows follow buyers in the Sep. 2022 \$135 calls yesterday and recent activity in the July, Aug. and Sept. \$90 calls on 6/2. Shares are back at the 8-EMA today and small flag forming just above the February range after a strong run. Long-term, SQ is out of a two-year range and above the \$100 peak from 2018 has considerable upside with a measured target out to \$150. The \$38.4B company trades 7.5X sales and 15.5X cash with profitability ramping strong from around \$0.22 in FY20 to over \$1.50 by FY22. They see mid-20% revenue growth in both FY21 and FY22, a big jump up from the 10% in 2020 as user adoption expands and they monetize a number of their emerging verticals. SQ is developing one of the most diverse and expanding ecosystems in the fintech space with their core business for sellers, Cash App, Square Capital, and more. SQ has been seeing GPV improve throughout April and May as more than 60% of Square Sellers have expanded into omnichannel while the Cash App has seen direct-deposit transactions up 3X in April. SQ's work with the stimulus program has brought in a large cohort of new users which the company expects to become long-time users which will support both near-term and long-term growth of areas like Boost. Analysts have an average target for shares of \$68.50, Argus at a Street High \$90. UBS cut to Sell in late May with a \$63 PT, up from \$54, citing valuation and their exposure to in-store sales. BAML moving to Sell as well in May with a \$84 PT, unchanged, as they see uncertainty in the pace of the recovery for sellers. CSFB raising their PT to \$80 on 5-20 citing a combination new feature launches and continued strong user growth to be supportive of Square's results and sentiment. They also see long-term growth from Cash App, more consumer lending products, and Boost which is turning into a massive digital advertising platform for local businesses. Short interest is 8.6%, the highest since July 2018 and like due to a combination of 'high valuation' and their exposure to SMB/lending. Hedge fund ownership rose 12% in Q1. Sands Capital adding a new 5.7M share position. Lone Pine, Bares Capital, and ARK all with concentrated positions.

### Hawk Vision:



**Hawk's Perspective:** SQ is flagging nicely on the 8 MA and remains a name likely to see \$100 soon and \$125 next year, a top payments name to stick with the trend.

**Confidence Ranking:** \$\$