



FEATURED OPTIONS RADAR REPORT



Bullish Action in Beaten Up Buy Now, Pay Later Leader

Ticker/Price: AFRM (\$70.1)

Analysis:

Affirm (AFRM) on 4/13 with a late day large buy of 2000 May \$65 calls to open aggressive on the \$7.80 offer and a name with 3000 each of the May \$80 and \$90 calls bought in open interest as well as 1500 May \$75 short puts. AFRM was a hot IPO for a few weeks but has been selling off since early February highs and on 4/13 hit new lows before putting in a hammer reversal candle giving a clear level to trade against. AFRM will report in mid-May as the next catalyst and Barron's out positive last weekend as a play on the future of shopping with Affirm being a "buy now, pay later" leader. The company was founded by PayPal co-founder Max Levchin and has quickly grown into one of the leading BNPL firms in the US. They have 6.2M customers, 6500 merchants, and did nearly \$11B in GMV since 2017. Their model is sticky with 64% repeat customers. AFRM has formed several partnerships with leading retailers like Purple (PRPL), Casper (CSPR), Mirror (LULU), Adidas, and more. Their biggest client is Peloton (PTON) which contributed around 30% of their overall revenue in 2020. 'Buy Now, Pay Later' has surged in popularity over the last twelve months. S&P Global noted last year that they expect the market to grow 400% by 2025 with major banks being displaced by easier, tech-driven firms like AFRM, AfterPay, QuadPay and Klarna. Spending on e-commerce through BNPL was around \$89B in 2020 and Kaleido Intelligence thinks it can grow to \$352B within the next decade. A BAML survey in December predicted that tech-driven apps like AFRM were poised to grow 10-15X by 2025 and potentially process up to \$1T in transactions. They think store card issuers like ADS and SYF are most at-risk and categories like electronics and home furnishings are big areas where AFRM could grow. AFRM now has a market cap of \$17B and is still quite richly valued at 20X FY22 EV/Sales with revenues seen rising 63.8% in 2021 and 33.7% in 2022 after jumping 80% in 2020, and profitability still far off. Analysts have an average target of \$121.50, Truist out at Buy with a \$160 target in February seeing organic revenue growth benefiting from: secular digital shift, younger consumers' mistrust of bank cards, superior tech integrations w/leading retailers, a unique ability to monetize data and diverse, durable funding. CSFB this week lowered its target to \$85 with some concerns on valuation and competition though seeing a lot of potential upside drivers to estimates.

Hawk Vision:



Hawk's Perspective: AFRM reward/risk looks favorable versus these tradable lows, a high valuation name, but also expect blowout earnings to potentially shift sentiment in May.

Confidence Ranking: \$\$