Bullish Open Interest Accumulates in Fintech in the Early Innings of Transformation

Ticker/Price: LC ($28.50)

Analysis:

Lending Club (LC) bullish flow accumulating over the last two weeks including 1000 January 2024 $20 ITM calls today for $14.20 to 14.40. The January 2023 $40 calls, October $31 calls, and November $26 calls all seeing buyers recently, the latter over 4500X, and still has 1000 January $36 calls and 3500 January $25 calls in OI from earlier this year. Shares gapped higher on earnings in July and drifting higher up to $33 recently before pulling back to monthly VPOC this week. A break back above the 8-EMA at $29.50 has room to re-test the prior highs and measured move to $41. The $2.87B company trades 35X earnings, 5.5X sales, and 6X FCF. LC has been a transformation story in 2021 after their acquisition of Radius Bank which helped change its business model and strategy away from peer-to-peer borrowing and towards more traditional financing. LC crushed estimates in Q2 with loan origination volumes of $2.7B vs guidance of $1.7B to $1.9B driven by new customer adds, higher LTV, and a more favorable macro environment. They continue to see significant growth in NII as they take advantage of low-cost digital bank deposits and grow their loan portfolio. Analysts have an average target for shares of $22 with a Street High $35. Maxim upgrading to Buy on 8/20 citing strong results in the first full quarter of the acquisition that shows solid execution while giving the firm confidence in its new business model and customer growth. Short interest is 4.35%. Hedge fund ownership rose 10% last quarter, Jackson Square Partners a top buyer of 3M shares and Basswood Capital bought 2M shares. Insiders also active including a director adding $60K at $31 on 9/3.

Hawk Vision:

Hawk's Perspective: LC shares are in a strong trend with plenty of tailwinds for continued growth and a move back to VWAP from the earnings gap around $26.50 would be a nice risk/reward spot

Confidence Ranking: $$