



FEATURED OPTIONS RADAR REPORT



Calls Accumulate in Modern Card Issuer with Major Fintech Clients

Ticker/Price: MQ (\$22.45)

Marqeta (MQ) an IPO from July that has traded lower with shares down 26.5% YTD but starting to see some size buyers in calls with 1500 December \$20 ITM calls bought on 10/6 and then on 10/13 another 1900 traded with aggressive buys at \$3.70 to \$4. MQ also has 3500 December \$25 puts in open interest from buyers in late June at \$3 to \$3.50 that are currently pricing \$4.25. MQ is an ugly trend but after testing last week's low shares are working higher and above the 8-day MA with a potential weekly bull hammer reversal shaping up and MQ next reports on 11/10. Marqeta is a modern card issuing business, enabling its clients to establish card programs with easy to use APIs for card management, case management, fraud monitoring, and other tools. Marqeta provides virtual, physical, and tokenized card products (credit, debit, and prepaid) and manages card fulfillment for its customers, to enable them to launch unique card programs that are tailored to their needs. As of 3/2021, ~320M cards have been issued through Marqeta's platform, collectively driving ~\$96B of annualized volume in 1Q21, up ~167% Y/Y from ~\$36B in 1Q20. Marqeta also provides virtual card services for *buy now pay later* (BNPL) players like Klarna, Affirm, and Afterpay, which require cards to be issued to process payments to merchants for installment payments. Marqeta currently has concentrated exposure to several marquee clients, like Square (Cash App and Seller), which made up 73% of revenue in 1Q21, as well as Instacart (11% of 2019 revenue, <10% in 2020), Doordash, Klarna, Affirm, Uber Eats, and Coinbase, among others. The digitization of global payments results in a large TAM, which should provide Marqeta with a long runway for growth as software/fintech companies increasingly leverage card programs to monetize users and as the company gains share from legacy providers that currently serve most traditional financial institutions. Marqeta's \$60.1B of volume in 2020 represents less than 1% of the \$6.7T of card-based payment volume in the US during 2020 leaving ample runway for future growth. MQ generates revenue through platform services revenue and other services revenue. Platform services revenue includes interchange fees, net of fees that Marqeta shares with clients, as well as processing and other fees. MQ currently has a market cap of \$12.3B and trades 16.7X FY22 EV/Sales with revenues seen growing at a 37% CAGR for 2020-2023. Analysts have an average target of \$34 with short interest high at 19% of the float. Truist started shares at Buy in August with a \$37 target positive on next-gen vCard solutions and expects further penetration of its markets. Citi started at Buy with a \$36 target in July citing its usage-based financial model with it growing as its clients grow. Blair sees margin expansion toward management long-term targets of at least 20% EBITDA margins. Lone Pine has a \$500M stake.

Hawk Vision:



Hawk's Perspective: MQ is a forgotten IPO with a great growth outlook though still a bit pricey on valuation on EV/Gross Profit. I want to see the December puts close out and monitor this one, a name that could quickly emerge a winner in 2022.

Confidence Ranking: \$\$