



FEATURED OPTIONS RADAR REPORT



Massive Call Accumulation for Emerging Market Fintech Leader

Ticker/Price: PAGS (\$56)

Analysis:

PagSeguro Digital (PAGS) seeing some massive long-term bullish bets since it reported results as 10,000 January 2023 \$70 calls have been bought for around \$9M, the January 2022 \$60 calls added 5000X on 8/13 and PAGS is a name with massive open interest from size call buys including 10,000 January \$57.50 calls, 10,000 September \$60 calls, 20,000 September \$55 calls, and 6000 September \$52.50 calls. PAGS pulled back off recent highs this week and bounced at the rising 55-day moving average, a move above \$58 can carry shares to \$68 which is a longer-term 138.2% Fibonacci extension target. PagSeguro is a disruptive provider of financial technology solutions focused primarily on consumers, individual entrepreneurs, micro-merchants, small companies and medium-sized companies in Brazil. PagSeguro's mission is to disrupt and democratize financial services in Brazil, a concentrated and underpenetrated market by providing an end-to-end digital banking ecosystem that is safe, affordable, simple and mobile-first for both merchants and consumers. Brazil still has a long road to run, as online represents less than 5% of the total retail sales, bringing a relevant opportunity to PAGS to explore a potential addressable market of almost BRL 130 billion in TPV, assuming that Brazil can reach similar online penetration levels compared to U.S. On its latest earnings call PAGS really focused on Hubs which it sees as a major opportunity moving forward. The \$18B company is trading 38X Earnings, 8.8X EV/Sales and 29X EBITDA with revenues seen rising 45% this year and 32% next year. PagBank will likely remain a key growth driver after adding a record 2.1mn clients in 2Q21, while net EBITDA margin improved to -55% from -80% in 2Q20. Analysts have an average target of \$68 with short interest at 10% of the float. Deutsche Bank out in June calling PAGS growth prospects being undervalued by investors. Notable concentrated holders include Melvin Capital, likely behind these call options, and Samlyn Capital.

Hawk Vision:



Hawk's Perspective: PAGS looks great on a risk/reward perspective and a very strong growth story that should continue to see success.

Confidence Ranking: \$\$\$