



## FEATURED OPTIONS RADAR REPORT



### PagSeguro Bulls See New Highs as Trends Accelerate

Ticker/Price: PAGA (\$59.45)

#### Analysis:

**PagSeguro Digital (PAGA)** with strong bullish activity on 2/9 as 3000 March \$60 calls bought to open \$3.90 to \$4.50 in the afternoon session, a name that has seen steady bullish flow but in smaller lots. PAGA as 2,250 May \$60 calls bought back in December still in open interest, 600 September \$70 calls, 1950 March \$55 calls, and has seen positioning in January 2023 calls at various OTM strikes while ITM \$55 and \$57.5 calls have over 8000 in OI. PAGA shares are trading out of a weekly bull flag to record highs, a pattern measuring to \$72-\$75 while a 1.382 extension level of the 2019/2020 correction is near \$69. 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 PAGA 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. The \$19.2B Brazilian company trades 52X Earnings, 11X FY21 EV/Sales and forecasts see revenues rising 25-30% annually the next three years with EBITDA seen reaching \$1.1B in 2023 from \$430M in 2020. PAGA will next report in late February. PAGA is coming off a strong quarter with online payments seen as a growth driver. Analysts have an average target of \$58 and short interest is elevated at 9.4% of the float. JP Morgan upgraded to Overweight on 2/1 with a \$61 target seeing strong client base growth, best-in-class app, and improving monetization trends as payment volume growth surges. New Street started at Buy with a \$64 target noting PAGA continues to trade at a roughly 30% discount to payment peers both locally and in the U.S., can leverage existing micro-merchant relationships to offer financial services to the unbanked and underbanked in Brazil via Pagbank. Goldman upgraded to Buy on 1/19 with a \$70 target.

#### Hawk Vision:



**Hawk's Perspective:** PAGA along with MELI, STNE continue to be great ways to play Brazil's growth opportunity and are all high quality owns. PAGA looks great for further momentum to \$70.

**Confidence Ranking:** \$\$