



Large Call Buy in Fast Growing Brazilian Fin-Tech, Stone-Co.

Ticker/Price: STNE (\$44.30)

Analysis:

Stone-Co (STNE) with a size trade on 1/30 as 7000 June \$45 calls opened at \$5.39 for more than \$3.7M. STNE did also seeing buys of 860 June \$39 puts that may be protective and previously a buyer of 2000 April \$42 puts back on 1/2 remains in open interest. There have been small buyers in February \$43 and \$44 calls as well as March \$40 calls. STNE shares are putting in an impressive weekly candle bouncing at the rising 13 week EMA and continuing an upward trend since July 2019. Shares still have unfinished business with a measured move target up to \$47 that would align with its rising channel resistance a few months out. The \$12.3B Company is a provider of technology solutions to digital merchants. Despite Brazil's large size, its online payments market remains less penetrated and has greater growth upside than more mature economies. Retail e-commerce sales in Brazil are expected to grow from R\$61.8B in 2017 to R\$104.8B by 2022. Brazil is the fourth largest market in the world for non-cash transaction volumes. Shares currently trade 44.2X Earnings and 17.5X FY20 EV/Sales with revenues growing 80% in 2018, 54.5% in 2019, and forecasted to grow 34% in FY20 while also seeing a strong rise in profitability. In its latest quarter it posted record net adds of almost 69,000 clients in the quarter, reaching a total active client base of 429,000 merchants, and take rate improved by 11 basis points to 1.87% in the last 12 months. Analysts have an average target of \$41.50 while short interest is subdued at 8.3% of the float. On 1/9 Guggenheim raised its target to \$47 citing tracking checks on the Stone Portal traffic. Citi raised shares to Buy in late October and UBS started at Buy with a \$42 target. Hedge Fund ownership fell 8.5% in Q3 filings, notable exits from Lone Pine Capital and Discovery Capital while Steadfast Capital decreased its position. Berkshire Hathaway maintained its position as the 5th largest holder and Whale Rock added to its position with STNE now its 23rd largest position.

Hawk Vision:



Hawk's Perspective: STNE is an exciting growth stock and continues to show a positive trend, and despite the valuation think the opportunity is vast and it has a long runway of strong growth.

Confidence Ranking: \$\$