



FEATURED OPTIONS RADAR REPORT



Bull Spread Opens in Fast Growing Disruptive Lender

Ticker/Price: UPST (\$120)

Analysis:

Upstart (UPST) large trade on 7/9 bought 4620 August \$130/\$160 call spreads for \$6.70 to open into recent weakness. UPST has been a name seeing mostly bearish flow with 2000 July \$125 puts, 3000 July \$120 puts, 2400 August \$130 puts and 3200 August \$125 puts in open interest that were bought, but also may be hedging a name that has risen 195% YTD. UPST has pulled back to a very interesting level at trend support off the IPO day low and February lows while also just above VWAP off the opening day of trading. UPST needs to clear a key \$129 level to make a run back to highs. UPST operates a leading cloud-based AI lending platform that enables a superior loan product with improved economics that can be shared between consumers and lenders. Consumers benefit from higher approval rates, lower interest rates, and a highly automated, efficient, all-digital experience. Bank partners benefit from access to new customers, lower fraud and loss rates, and increased automation throughout the lending process. UPST revenue is primarily comprised of fees paid by banks as it charges banks referral fees for each loan referred through Upstart.com. UPST announces a \$100M deal in March to acquire Prodigy Software, a provider of cloud-based automotive retail software to enhance its opportunity in auto lending. UPST is currently focused on the unsecured personal loan market, valued at \$92B but sees adjacent opportunities in using its AI models and tech in auto loan, credit card and mortgage markets as well as student loans. UPST currently has a market cap of \$9.4B and is trading 15X EV/Sales with revenues seen rising 163% in 2021 and 32.8% in 2022, already EBITDA positive though early stages of profitability with 83.5% gross margins and EBITDA margins seen at 12-15% the next few years. UPST is a combination of high growth and profits with a very strong balance sheet though trades very rich compared to fintech lending comps. However, the origination of consumer credit remains extremely competitive and Upstart is reliant on a concentrated number of financing partners and distribution channels. Analysts have an average target of \$135 and short interest is 12% of the float, rising 170% Q/Q. Piper started Overweight in April with a \$143 target seeing the potential to disrupt auto and real estate lending. BAML raised to Buy in March with a \$135 target noting results are clearly showing UPST's value proposition to bank partners and consumers. Third Point has a \$1.688B stake in UPST as its largest holding.

Hawk Vision:



Hawk's Perspective: UPST has some bearish positioning in OI as well so need to let \$129 play a key role as a bull trigger, the disruptive growth is impressive and it can make a run if upward momentum resumes.

Confidence Ranking: \$\$