



FEATURED OPTIONS RADAR REPORT



Call Buyers Target Laggard Payments Processor Amid Significant Transition to Digital

Ticker/Price: WU (\$21.55)

Analysis:

Western Union (WU) trading nearly 9X average calls today with 5,000 February \$21 calls bought for \$1.55 to \$1.60 to open. WU has size in the January \$24 and \$28 calls from buyers in May and June while the January 2023 \$18 and \$20 calls with notable OI from buyers in May. WU is in a weak trend below its key short-term moving averages but back to an interesting spot trying to hold 2020 VPOC and the 50% retracement of the rally from the March 2020 lows. A bounce back here has room to \$23.25 and a big volume node from June and then room to \$25. The \$8.86B company trades 9.5X earnings, 1.76X sales, and 19.2X FCF with a 4.3% yield. WU has been undergoing a rebuilding year and coming off a quarter with continued momentum in their digital business which is expected to hit \$1B in revenue this year. WU had 14% growth in MAUs and they expect to launch a bank account pilot program later this year as they look to leverage their huge installed retail base into more digital programs. WU also expects to expand their platform across areas like Google Pay, STC Pay, and Sber. Earlier this month, WU reached a deal to sell their Business Solutions business for \$910M in cash which they may use for capital return sometime in 2022. Analysts have an average target for shares of \$23.50 with a Street High \$26. Susquehanna a positive note on 7/16 noting that their digital business is being significantly undervalued by the Street. The firm thinks it may be worth as much as \$15-\$18 per share on a standalone basis and while management has incubated it as an important FinTech asset it will be critical for the company to harvest its potential. Short interest is 7%. Hedge fund ownership fell 5.5% last quarter.

Hawk Vision:



Hawk's Perspective: WU trades cheap with a nice yield and potential for further capital return announcements over the next 6 months while their transformation is ongoing, an ugly trend but back at a reasonable spot to watch for price momentum to return

Confidence Ranking: \$\$