

Affirm IPO: An Alternative Way To Test This Story

Jan 10, 2021 | By Alex Gavrish, Etalon Capital Ltd; author of "Story Investing"

Affirm, a fintech company founded by co-founder of PayPal Max Levchin is [expected](#) to go public this week. Affirm's point-of-sale solution allows consumers to pay for purchases in fixed income amounts without deferred interest, hidden fees, or penalties. On the merchant side, Affirm solutions empower merchants to more effectively promote and sell their products, optimize their customer acquisition strategies, and drive incremental sales.

At the mid-point of IPO range, Affirm will be valued at about \$9 bil and will raise net process of \$948 mil (assuming exercise of over-allotment option by underwriters). As the company is currently unprofitable, investors are taking on significant risks as with any IPO and technology growth stock.

We think that shares of PROG Holding Inc provide investors with an alternative route.

On December 1st, 2020, The Aaron's Holding Company, completed separation into two companies: The Aaron's Company and PROG Holdings.

PROG Holdings is a well-established business in the area of lease-to-own in the United States.

The Aaron's Company Inc which retained the parent symbol "AAN" is comprised of approximately 1,400 company-operated and franchised stores in U.S. and Canada, the e-commerce platform Aarons.com, and Woodhaven Furniture Industries. We think that The Aaron's Company is a classic, undervalued spin-off situation and we wrote about it [before](#).

At current market price, PROG Holdings has a market capitalization of \$3,556, estimated net cash of \$60 mil (according to company's presentation) and an Enterprise Value of \$3,496 mil. Adjusted EBITDA in 2020 is projected to reach \$340 mil which values the company at an EV/EBITDA valuation multiple of x10.3

We think that PROG Holdings shares provide investors with the opportunity to invest in the same "theme", albeit in a somehow different way but should management move more into direction of a technology platform, perception by investors might change and this will provide a significant upside.