



Fed-Ex Bulls Look for Upside as Sentiment Washes Out

Ticker/Price: FDX (\$184.85)

Analysis:

Fed-Ex (FDX) notable bullish positioning yesterday with over \$1M in April \$185 calls bought and 5,000 of the April 26th (W) \$195 OTM calls bought. FDX also has a good amount of bullish open interest in May, June and July calls. Shares have recovered from earnings weakness and looking to clear out of this \$170/\$185 range that targets \$200 and really has a volume pocket way back to \$215. The \$47.65B shipper trades cheap at 11X Earnings, 0.7X Sales and yields a 1.39% dividend but concerns with a slowdown in global growth and the TNT integration have weighed on shares, but recent signs of Macro positives for 2H19 set up for a potential move higher. FDX will present at the Wells Fargo Conference on 5-7-19 and next reports in late June. FDX's outlook calls for 4-5% annual topline growth and 8-12% EPS growth. Analysts have an average target of \$210 and short interest at 1.4% of the float is near multi-year lows. Berenberg was out cautious yesterday cutting shares to Hold and favoring UPS. CSFB was out as well yesterday with a \$241 target, and notes FY20 sets up as a self-help story seeing noticeable margin improvement potential as cost initiatives take hold. It notes "With expectations looking washed out, we feel a bit more constructive in the shorter term than we have felt in the last 4-5 months – and, longer term, we think FDX is strategically well positioned (from both an asset base and service offering standpoint) to benefit from the evolving domestic market. The company is clearly aligning itself with large, traditional retailers that are looking for ways to compete with AMZN, and, with ample Ground capacity, FDX can sweat its assets and drive increased market share and profitability." Hedge Fund ownership fell 1.4% in Q4 filings, Dodge & Cox adding to its position as did Lakewood.

Hawk Vision:



Trading Strategy: FDX remains a name I see as a real compelling long term value. It is a bit extended near-term but offers a nice reward/risk over the next year.

Confidence Ranking: \$\$