



Flextronics Calls Active

Ticker/Price: FLEX (\$10.55)

Analysis:

Flex (FLEX) trading 6X average volume with buyers active for more than 10,000 June \$11 calls this morning up to \$0.58 and follows 6,500 July \$11 calls bought last week. FLEX will be at the JP Morgan TMT conference later today. Shares have been strong since the December lows and pulling back to cloud support and the March base this week. A move above the 8- and 13-EMA around \$11 sets up for a breakout of this three-month range with a long-term target of \$15. RSI is nearing a move back above 50 and MACD curling higher and nearing a bull cross. The \$5.39B company trades 7.34X earnings, 0.20X sales, and 3.6X cash. The company is guiding to 14.9% and 12.2% EPS growth through the next two years with revenue growth of 4.5%. FLEX is a global provider of design, engineering, and manufacturing solutions for OEMs with reach across 30 countries. The company has seen expansion into non-traditional markets like autos, industrials, and medical services grow to about half their revenue mix in recent years. The shift into higher-margin areas is helping drive upside to long-term goals as they shift away from some larger legacy contracts. They're also leveraging their Sketch-to-Scale products into areas like autonomous driving and in-home connectivity. FLEX is coming off a strong quarter and seeing the benefits of re-organization after they exited their footwear manufacturing ops. Analysts have an average target for shares of \$10.50 with limited coverage, 1 buy rating and 6 hold. Argus downgrading to Neutral late last year concerned about the impact of client losses like Nike and Lego. Goldman with shares at Neutral as well seeing the recent CEO transition as an overhang for several quarters. Short interest is 2.4% and down from 4% in late 2018. Institutional ownership fell 8%. Lyrical Asset Management and Iridian top holders. FLEX saw insiders active buying stock in late 2018 around \$7.50 to \$8.50, the first open market buys in over four years.

Hawk Vision:



Trading Strategy: FLEX is an interesting value name here and looks very tradable versus recent lows.

Confidence Ranking: \$\$