



Fidelity Info Seen Moving Higher on Mega Payments Merger

Ticker/Price: FIS (\$119.35)

Analysis:

Fidelity National Information Services (FIS) on Tuesday with more than 3,000 October \$125 calls bought to open in the \$4.25 to \$4.55 range which follows recent buys in June and July calls. FIS announces a \$43B deal to acquire **WorldPay (WP)** in March in a transformational deal in the payments space, a cash and stock deal. On 5-1 the WSJ reported its parent is launching a new data-protection business called Akoya. FIS is currently trading 14.6X Earnings, 4.65X Sales and 28.1X FCF with a 1.17% dividend yield. It sees the combination creating growth opportunities across merchant and banking ecosystems with a 6-9% three-year organic growth outlook post-closing and expecting \$700M of EBITDA synergies. It is creating a global distribution powerhouse with cross-selling opportunities to financial institutions and merchants around the globe. It has a three year outlook for \$15B in revenues, \$4-\$4.5B in FCF and 45% EBITDA margins. The deal is expected to close 2H19. Analysts have an average target on shares near \$135 and short interest rising due to the cash & stock deal arbitragers. On 5-14 BAML started coverage of shares at Buy with a \$139 target and on 5-21 added it to the US1 List expecting guidance to prove conservative and see upcoming catalysts including Q2 stand-alone earnings reports, deal close by end of Q3, and the initial post-deal earnings reports in the quarters to follow that will show strong integration execution. Moffett-Nathanson started coverage at Buy with a \$147 target last week. Hedge Fund ownership surged 81% in Q1 filings, Melvin Capital disclosing a new call option position, Maplelane Capital taking a new 3.32% weighted stake, Junto Capital with a 4% stake and Duquesne Family Office with a new position. On the chart shares broke out above the \$110 level and have stayed strong in the wake of a weakening tape, and the \$95/\$110 range break sees upside to \$125.

Hawk Vision:



Trading Strategy: FIS is making a very smart deal and this will be a powerhouse Financial for many years to come, extended near-term but back near \$114 looks attractive into 2H catalysts.

Confidence Ranking: \$\$