



OptionsHawk



Size Calls Accumulate in Fidelity Info as Synergies Seen Boosting Numbers

Ticker/Price: FIS (\$129.40)

Analysis:

Fidelity Info Services (FIS) buyers of more than 4,400 November \$130 calls for \$5.50 and follows 2,000 bought at the strike on Monday. FIS has 4,000 October \$125 calls in OI from buyers. FIS has been a steady name higher since late 2018, trading up 49.5% through late August and pulling back to the 20-week EMA. Shares have support down around \$125 from July. The \$82.2B payments company trades 20.66X earnings, 9.76X sales, and 8X cash with a 1% yield. FIS expects 17.5% EPS growth two-years post-merger with Worldpay with revenues up 7.5%. The deal closed in August and gives them greater exposure to e-commerce and integrated payments globally. It also gives them a more vertically-aligned position in the transaction process with payment tech, authorization, analytics, and settlement options. FIS sees growth in cross-border e-commerce as a key long-term driver with global volumes expected to grow to \$4T to \$4.5T by 2020, up from \$2T this year. They see \$700M in incremental EBITDA from the deal through cost savings and revenue synergies. Analysts have an average target for shares of \$149.50. Cowen out positive on 9-9 noting seeing upside from: 1) Cost Synergy Upside; 2) Capital Allocation Upside – we see each company at or near target leverage ratios by YE20, freeing up excess FCF to return to shareholders and/or engage in additional M&A; 3) Lower Debt Costs. Baird positive on 9-16 with a \$158 PT citing better leverage and an improved earnings outlook. Keybanc upgrading to Overweight on 9-5 as the analyst sees the company as strategically positioned for sustainable merchant share gains, B2B monetization, and accretive capital allocation with room for modest FI cross-sell. Short interest is 1.3%. Hedge Fund ownership rose 18% in Q2. D1 Capital, Senator Investments, and Longview Partners notable holders. A director bought \$544K in stock at \$107.22 back in March.

Hawk Vision:



Hawk's Perspective: FIS follows a long trend of smart money looking for synergy stories and this is a strong one in a great payments industry but right now the market is selling everything and need to await a better environment for longs.

Confidence Ranking: \$\$