



Call Buyer in Fastenal as Momentum Picks Back Up

Ticker/Price: FAST (\$36.90)

Analysis:

Fastenal (FAST) buyers today of 1,000 May \$37.50 calls for \$2.00 to \$2.05 and follows recent buying in the January \$33.75 and \$38.75 calls as well as a more than \$1.3M purchase of the Feb. \$35 calls on 10-21 that remains in OI and pricing just below the original trade price. FAST has been a strong performer all year and flagging just below the highs at \$38 with a move higher targeting \$42. Shares pulled back to the 50-MA and cloud support recently and rebounding with MACD crossing over bullish with today's strength and RSI back above 60, ready to run. The \$20.8B company trades 24.85X earnings and near 4X sales with a 2.43% dividend, a bit rich on valuation. They see mid-to-high single digit EPS growth and steady 5-6% revenue growth through FY21. FAST reported strong November metrics last week which build upon a strong Q3 where the company eased some concerns of a more severe slowdown while margins improved. FAST is also taking more proactive measures to counter margin headwinds with price hikes to keep ahead of both the October and December tariffs. Short interest is 5.3% but down from around 10% in early 2018 and hitting seven year lows. Hedge fund ownership fell 6.5% in Q3. Ardevora a top buyer with a new 1M share position. Analysts have an average target for shares of \$78.25 with 2 buy ratings, 9 hold, and 1 sell. Argus with a \$41 PT recently citing confidence in capital return continuing to grow in 2020 as well as expectations for increased government spending on infrastructure projects outweighing tariff-related headwinds. Stephens downgrading to Neutral in October with a \$37 PT expecting some softness in the company's core manufacturing end market.

Hawk Vision:



Hawk's Perspective: FAST is a high quality operator despite its rich valuation and continues to execute very well. Shares look to have some room to move up to \$40.

Confidence Ranking: \$\$