



## Fifth Third Bancorp Bull Looks for Rebound

Ticker/Price: FITB (\$17.8)

### Analysis:

**Fifth Third Bancorp (FITB)** with 1,850 June \$15 calls being bought today up to \$3.60 and follows some OTM November \$25 call buys last week. FITB has seen some size insider buying lately as well with a director buying \$1M in stock on 3/13 at \$16.90 and the Chief Risk Officer buying \$100,000 in stock at \$16. FITB has some mixed open interest with a lot expiring in May including 3,500 May \$19 calls bought in mid-March while 3500 August \$17 short calls are in OI, rolled back from the \$26 calls and potentially a stock over-write. Shares are trading in a rising channel from the March lows with room up to \$22+ in the near-term. The \$13.2B company trades 8X earnings and 0.65X book with a 6.12% yield and a strong cash balance. The company affirmed their capital return plan remains on-track despite COVID-19 while NII will be stable. FITB has low exposure to more “at-risk” areas like non-essential retail and healthcare with just 12% of their overall C&I loan book while the majority of those loans written have been to larger companies with access to capital during the current stress. Net-charge offs were near historically low-levels in March and their consumer/mortgage portfolios are heavily-weighted to super-prime customers with 90% secured and more than 55% with a 750 FICO or higher. FITB closed on their merger with MB Financial in November and sees significant opportunity longer-term to grow into commercial loans, wealth management, and asset-based lending. Analysts have an average target for shares of \$25. DA Davidson with a Buy rating and \$19 PT in late March. The firm cites their deep discount to peers and expects that to narrow given their unique characteristics including a structured securities portfolio with meaningfully lower prepayment risk and buyback opportunities. BAML positive yesterday noting they aren’t getting enough credit for their reserve building and potential for an expense plan. Short interest is 1.9%.

### Hawk Vision:



**Hawk’s Perspective:** FITB is a quality regional bank though overall a tough group to have a lot of faith in for this environment and find better opportunities in other industries.

**Confidence Ranking:** \$\$