



## Fidelity National Bulls See Low in for Shares

**Ticker/Price:** FNF (\$27)

### Analysis:

**Fidelity National (FNF)** an unusual day of active options on 5/19 with 2000 July \$28/\$24 bull risk reversals and 2000 September \$28/\$24 bull risk reversals opening at \$0.90 debits each on a day the Company presented at the SunTrust Financial Conference. FNF also had a buyer of 1000 June \$28 calls to open on 4/28 near \$1.60. FNF shares have not rallied much off the March lows and forming a long and flat basing pattern, above \$28 can move shares into a large volume pocket with room back to \$40. The \$7.5B provider of insurance products did see a Director buy 15,000 shares at \$40.71 in early March. FNF currently trades 9.1X Earnings and 1.45X Book with a 4.82% dividend yield and ROE of 15.4%. FNF is the national leader in title insurance and transaction services to the real estate and mortgage industries, and recent data showing a quick recovery in home buying. FNF has a top market share in residential purchase, refinance and commercial markets and also is the largest provider of centralized settlement services through ServiceLink. FNF has industry leading margins and also focused on integrating CRM and digital transaction management technologies to offer best of breed solutions to real estate agent customers. A few of its brands CINC, SkySlope, Agent Pronto, and Real Geeks generated \$110M revenue last year in Tech solutions. FNF also has a solid balance sheet with Debt to Capital at 13%. Analysts have an average target of \$37 and short interest low at 1.3% of the float. On 4/8 KBW raised shares to Outperform with a \$37 target noting near-term headwinds of lower residential and commercial transaction volumes will weigh on results, but title insurers trade at compelling valuations and expect it to emerge from the recession with earnings power intact. Hedge Fund ownership fell 1.35% in Q1 filings.

### Hawk Vision:



**Hawk's Perspective:** FNF looks attractive on valuation and as an industry leader with strong margins, so like these risk reversal strategies.

**Confidence Ranking:** \$\$