Fidelity Info Call Buyer with Shares at Attractive Entry Level, Strong Tailwinds

Ticker/Price: FIS ($137.5)

Analysis:

Fidelity Info (FIS) tightly coiled with bull flow early as 590 October $140 calls bought aggressively $9.95 to $10. **FIS** October calls up to 1825X with buyers $10.30 and $10.70 in size trades. FIS surprisingly lacks a lot of open interest outside of 1000 July $140 calls bought in open interest. FIS shares tested the rising 21 MA today and looking to bounce, a narrow volume channel for June OpEx cycle and potential to break higher and clear $143 with room back to $156 highs. The $87B financial service technology company trades 21X Earnings, 7.66X Sales and 57.2X FCF with a 0.99% yield. FIS has completed its WorldPay transformational deal which is resulting in significant cross-sell gains from its expanded payments portfolio. The NewCo is positioned as a leader in enterprise banking, payments, and a leading provider of e-commerce solutions at all ends of the B2B spectrum. They've got a lot of secular tailwinds going into 2020 and beyond as more banks reinvest on expanded upgrades to infrastructure as digital banking adoption grows. FIS EBITDA margins were 33% in FY16 and seen hitting 43% in FY20. FIS is speaking today at the RBC FinTech Conference. Analysts have an average target range of $150-$155 and short interest low at 3% of the float. OpCo, Wedbush and Ray-Jay all lowered target in April noting the lockdown impact on merchant volumes. Rosenblatt in March started shares Buy with a $179 target noting FIS is one of the strongest firms in the payment industry with 2/3 of revenues from high-growing merchant solutions and leveraged to faster growth areas of the market. Hedge Fund ownership rose 9.75% in Q1 filings, top concentrated holders include Longview, Melvin, Farallon, Findlay Park, Viking Global, Temasek and Steadfast.

Hawk Vision:

Hawk's Perspective: FIS is an excellent lesser followed play in Payments and like the entry in this area and at $129 potential name to leg into partial buys.

Confidence Ranking: $$