



FEATURED OPTIONS RADAR REPORT



Fed-Ex Put Sellers into Pullback as Q4 Earnings Seen Strong as Margin Story Develops

Ticker/Price: FDX (\$306.30)

Analysis:

Fed-Ex (FDX) interesting action late on 6/3 as 1250 August \$310 puts were sold to open \$19.70 to \$19.40 showing a lot of confidence with shares at \$306. FDX has also recently seen June \$310 calls accumulate 6000X in bull call spreads with **UPS** hosting an Investor Day next week. On 5/17 the December \$320 puts were sold to open 1125X raising \$3.6M in premium. FDX will report earnings on 6-24. FDX shares are +18% YTD and have been consolidating above the 8-week moving average the last four weeks after a key breakout to new highs with \$333 a 138.2% Fibonacci extension target while the range break measures to \$350. The \$81.55B freight company remains at cheap valuation of 15.4X Earnings, 9.7X EBITDA, and 25.8X FCF with a 0.85% dividend yield. Forecasts see FDX revenues ending 2021 with 19.5% growth while 2022 seen closer to 5% growth as it laps tough comps. FDX has seen a surge due to the ecommerce boom but also a name closely tied to the Macroeconomy which is set to surge globally in 2021 and likely drive upside to estimates. FDX continues to show pricing power with it raising prices while cost efficiencies have also contributed to expanding margins. The FedEx Ground margin story is a key to investors and showed signs of recovery last quarter despite weather headwinds. FDX should see the higher margin Industrial economy business strengthen through 2021. Analysts have an average target of \$350 with short interest at 1.3% of the float. On 4/13 KeyBanc upgraded to Overweight citing positive online parcel volumes, rational pricing dynamics, and improving global activity boosting air freight. On 5/26 they raised the target to \$370 seeing Q4 earnings as an upside catalyst expecting stronger margins. Wolfe raised shares to Outperform on 5/3. Hedge Fund ownership jumped 12% in Q1 filings.

Hawk Vision:



Hawk's Perspective: FDX remains attractively valued with strong price momentum and the margin expansion should re-rate shares higher, no reason this can not be a \$400 stock later this year.

Confidence Ranking: \$\$