



FEATURED OPTIONS RADAR REPORT



Call Accumulation in EMS Leader with Stronger Growth Profile

Ticker/Price: FLEX (\$18.65)

Analysis:

Flex (FLEX) seeing interesting bull flow all week with October in focus as the \$18, \$19 and \$20 calls are seeing accumulation. FLEX still has 13,000 January 2024 \$20 calls and 6,875 January 2024 \$25 calls in open interest as well. FLEX shares are now positive YTD after jumping 30% in a month and now back near a major long-term resistance level of \$20 and the monthly flag would measure to a \$25 target. Flex delivers advanced manufacturing solutions and operates one of the most trusted global supply chains, supporting the entire product lifecycle with fulfillment, after-market, and circular economy solutions for diverse industries including cloud, communications, enterprise, automotive, industrial, consumer devices, lifestyle, healthcare, and energy. Outsourcing growth is driven by increased complexity, whether it's in products, in markets or all the sustainability requirements. The EMS industry is around \$600 billion, and expected to grow at a 5% to 7% CAGR to calendar '25. FLEX is benefitting from multiple secular growth trends like 5G and EV. FLEX got a new CEO in early 2019 and she's focused on building up the balance sheet, investing in their commercial strategy, and executing on opportunities within their supply chain. FLEX sold its NEXTTracker stake, a solar unit, for \$500M in February. FLEX has a market cap of \$8.4B and trades 8X Earnings, 0.3X Sales and 28.4X FCF with revenues seen rising 11% in 2023 with 15% EBITDA growth, though a low margin business responsible for the low multiple with 6% profit margins. FLEX has been transforming its geographic and customer concentration and reducing exposure to consumer devices. FLEX was very positive on the latest earnings call on its new program and share gains as it is winning a lot of cloud business. Analysts have an average target of \$22.50 with short interest low at 2.5% of the float. Argus raised shares to Buy in May with a \$22 target on strong bookings and execution.

Hawk Vision:



Hawk's Perspective: FLEX extended near-term but a company that sees little recognition for the portfolio transformation and healthier financials, the long-term range breakout could be a nice one with upside calls so cheap in the low volatility name.

Confidence Ranking: \$\$