



Size Buyer of FleetCor Calls into Weakness

Ticker/Price: FLT (\$305.50)

Analysis:

FleetCor (FLT) large trade opening 2,700 August \$310 calls this morning \$22.80 to \$25.50, a more than \$6M purchase into weakness following earnings. FLT doesn't have a lot of notable open interest and May \$360 short calls were bought back to close last week. Shares broke out of a big multi-month range in mid-January and back last week to the 50-MA and a re-test of that range around \$305 where they've held up. The long-term measured move targets a run up to \$350+. The \$28.5B company trades 19.66X earnings and 11X sales with mid-teens EPS growth and revenue growth just shy of 10% in both 2021 and 2022. FLT guided to the mid-point of the Street's range across the core fuel business, slightly disappointing, while continuing to see strong upside to their emerging verticals like payments. They expect comps to get easier into Q2/Q3 as they lap the Chevron divestiture from last year. The company has done a good job of diversifying away from solely the fuel card business and B2B payments and FinTech now nearly 55% of revenues, huge opportunities with a lot of runway for small- and medium-sized businesses. FLT has also been a bit of a serial-acquirer in recent years and CEO Ron Clarke saying last week that he's eyeing a big deal in 2020 given their balance sheet is 'as good or better as it's ever been.' Analysts have an average target for shares of \$305. Cowen starting at Outperform on 1-31 with a \$360 PT. The firm thinks share pressure associated with the Federal Trade Commission suit creates an opportunity and expects double-digit organic growth aided by balance sheet flexibility to drive upside. Short interest is 3.5%. Hedge fund ownership rose 14% in Q3 with Melvin Capital a buyer of near 900,000 shares of stock and call options. Maverick Capital, Highline, Coatue Management, and Stevens Capital also notable holders. Citron Research a long-time short on the name. In December, the company disclosed an FTC complaint and said last week they continue to work the agency and expect to see no material impact on their long-term business outlook.

Hawk Vision:



Hawk's Perspective: FLT looks like an opportunity on this dip to the 50 day moving average, a high quality name trading far too cheap for its growth potential with upside possible from a M&A deal.

Confidence Ranking: \$\$