



## PayChex Bullish Positions Accumulate

**Ticker/Price:** PAYX (\$69)

### Analysis:

**Paychex (PAYX)** with 500 January 2021 \$70 calls opening today for \$7.15 in a stock replacement and name which saw buyers of the February \$65 calls in late December and more than 4,500 of the March OTM \$72.50 calls open since 1/10. In October, a Director bought around \$200,000 in stock at \$65-\$66, the first open market buys in over four years. Shares pulled back to weekly cloud support in late December and bouncing strong with a wedge breakout above \$70 aiming for a re-test of recent highs. PAYX is trading in a long-term channel up which targets \$85. The \$24.69B company trades 22.6X earnings, 7X sales, and 32.5X cash with a 3.2% yield. PAYX expects 8-10% EPS growth through FY21 and sales growth of 10-11% as it moves above \$4.5B annually. The company has seen strength in their PEO business and announced a \$1.2B deal for Oasis in November which will boost their scale to more than 1.4M worksite employees. PAYX has had issues with margin contraction recently but reduced investment spending last quarter has driven improvement and is expected to continue this year. Analysts have an average target for shares of \$72.50 with 1 buy rating, 14 hold ratings, and 1 sell rating. BMO has \$68 PT for shares and positive on rising churn in the industry which will give PAYX opportunity in 2019 to gain market share. Jefferies positive on 12/19 citing strong retention in their PEO segment. They think the Oasis deal will give them more cross-sell opportunities and bolsters their retirement options outside of their core markets. They also see longer-term revenue opportunity in converting Oasis's customers from their current software to Paychex Flex. Short interest is 2.3% and moved to multi-year lows last month and down from 6% in mid-2015. Institutional ownership fell 9.5% last quarter.

### Hawk Vision:



**Trading Strategy:** PAYX like many names could use some consolidation and not looking to get aggressive to the long side after the recent market move into resistance.

**Confidence Ranking:** \$\$