



First Data Corp Longer Term Bulls Take a Position

Ticker/Price: FDC (\$17.20)

Analysis:

First Data (FDC) with over 3,800 Jan. 2021 \$18 calls being bought today from \$3.30 to \$3.60 as shares trade red-to-green from early weakness. FDC has 40,000 March \$17 calls in open interest from recent buyers and 3,000 March \$17 puts sold to open on 1/4 seeing limited downside. The April \$16, March \$18, \$19, and \$20 calls have also seeing upside buys while 14,000 April \$20 calls remain in open interest. Shares are down from around \$26/share in September but basing around March/April support with a positive RSI divergence into the recent lows in December. A move above \$17.50 has room back to a gap at \$19.50 from Oct. earnings which stretches back to \$21.50. The \$16.44B company trades 10.9X earnings, 1.6X sales, and 8.25X FCF with mid-double digit growth. FDC sees 3% revenue growth this year and 6% in FY20. FDC's been shuffling their portfolio recently divesting some non-core businesses late in 2018 and cutting debt by nearly \$1.4B on the year. Their Clover Station for small businesses continues to gain market share as they add new services. The company outlined a number of initiatives to improve their JV channel early in 2018 and starting to see strong digital enrollment last quarter from their partners. Analysts have an average target for shares of \$25 with 21 buy ratings and 5 hold ratings. KeyBanc with a \$22 PT citing a low valuation with upside drivers from improving North American GBS growth and deleveraging which can expand the multiple. Wedbush positive recently noting that the company remains well positioned to capitalize on strength in merchant/financial processing. Stephens downgraded shares on 1/3 expecting the company to miss FY19 guidance but says fears of a long-term slowdown or structural flaw are misplaced. Institutional ownership rose 18% last quarter. Lone Pine is the top holder with 21M shares while Melvin Capital has 11M shares. Short interest is 3%. In 2017, the CEO bought \$420K in stock at \$16.82, right around current levels.

Hawk Vision:



Trading Strategy: FDC is forming a potential key base and has sizable flows, likely Melvin based on filings. Shares have reset in a big way and look to be a nice value versus recent lows.

Confidence Ranking: \$\$