



Unusual Call Buying in Attractive Small Cap Cubic

Ticker/Price: CUB (\$62.40)

Analysis:

Cubic (CUB) unusual activity this morning with 435 October \$65 calls bought aggressively to open \$3.48 to \$4.30, a name with very little open interest. CUB shares on the monthly pulled back to retest a major breakout from late 2017 with support at \$53.25, and currently a weekly base with a move above \$65 targeting a run to \$72. The \$1.93B company provides various solutions such as transportation systems, global defense and mission solutions. Insiders have been buying stock in May for over \$365,000. CUB shares trade 15X Earnings, 15.5X EV/EBITDA and yields 0.44%. The company is set to see 20% revenue growth this year and 1000% EPS growth. Earlier this week its transportation systems unit was awarded a key contract extension from the LA Transport Authority. CUB reported an excellent quarter on 5-2 way ahead of estimates. The Transport segment is 56% of sales and is a leading integrator of payment systems and travel solutions. Analysts have an average target of \$76 and short interest is jumping 73% Q.Q to 6% of the float. Raymond James upgraded shares to Strong Buy earlier this week with an \$82 target saying investors are underestimating backlog growth and sees a path to \$109 over two years. Hedge Fund ownership fell 4.6% in Q1 filings.

Hawk Vision:



Trading Strategy: CUB is a compelling name in my view and long been a favored small cap despite some choppy quarterly results, a small cap stock to own.

Confidence Ranking: \$\$