



Jack in the Box Calls Trade into Historically Positive Catalyst

Ticker/Price: JACK (\$73)

Analysis:

Jack in the Box (JACK) this week traded down to its lowest level since May 2016 and trying to hold near the monthly lower cloud and rising 89 month MA. JACK will report 8/7 after the close and despite its weak performance shares have closed higher 8 of its last 9 reports with an average six quarter max move of 7%, and recent positive read-through across restaurants. The \$1.88B Co. now trades just 15.3X Earnings, 2.15X Sales and 25.4X FCF with a 2.2% dividend yield. JACK is expecting growth to really pick up on a Y/Y basis the next two quarters and has an outlook for 12%+ EPS growth the next few years. JACK entered an agreement with JANA Partners back on 5-28 adding two new independent directors, and in December it was reported JACK was considering a sale. JACK options are pricing in a 6.85% earnings move and 1200 September \$75 calls bought to open on 8/1 the only notable open interest. JACK is attempting to simplify operations, leverage technology, and differentiate and innovate its menu & marketing. Analysts have an average target of \$88 and short interest at 14.5% of the float is near a new 5 year high. Goldman started shares Sell on 7/29 with a \$69 target seeing share losses to McDonald's, Taco Bell and Chick-fil-A to accelerate, and concentration to California makes it more vulnerable to rising wage expenses. CSFB started Underperform in late June with a \$75 target citing limited visibility to improving top-line and SSS with few levers to unlock value. Hedge Fund ownership rose 9.15% in Q1 filings, JANA lowered its stake while Samlyn Capital added to its position.

Hawk Vision:



Hawk's Perspective: JACK looks like it could put in a reversal at this level though the high short float and knowing there are many better peers like MCD, CMG, SHAK and WING keep me hesitant. The potential for it to be sold is the one allure, though would keep to small speculative size.

Confidence Ranking: \$