



Quanta Call Buyers Take Advantage of Modest Pullback

Ticker/Price: PWR (\$42.25)

Analysis:

Quanta (PWR) buyers of more than 1,250 January \$43 calls for \$1.10 to \$1.15 this morning and volume now over 2800X in the first hour of trading. PWR has recently seen buyers in the February \$41 calls over 1150X and the May \$45 calls over 1900X. PWR shares have been on a strong run from the August lows and breaking out of a two-year range in October above \$40. The long-term move measures out to \$50. The \$6.13B company trades 10.8X earnings and 0.51X sales with a small yield. They see 20% EPS growth and 7.3% revenue growth in 2020 with tailwinds from 5G (from \$300M in 2017 to \$400M last year) as well as continuing rebuild on the East Coast. The company focuses on specialty contracting services for infrastructure projects like design, installs, upgrades and repairs. PWR gets about 60% of their revenue from electric power while 40% comes from pipelines and industrial projects. They are heavily involved with the rebuild on the East Coast after recent Hurricanes, a "decade-long project" they estimated at the Stephens conference last week, while also seeing a lot of projects now on the West Coast after the fires. PWR noted that they have seen a big jump in 'large' projects over the last 2-3 years with 10-12 in their backlog vs 3 in 2014. Short interest is 3.9%. Hedge fund ownership rose 17.7% in Q3. Luminus Partners, Electron, and Peconic Partners notable buys. Analysts have an average target for shares of \$45.50. Citi naming PWR a Top Pick on 10-28 while Stephens with a \$42 PT for shares noting that concerns over their Peru project and FCF generation seem overblown.

Hawk Vision:



Hawk's Perspective: PWR has screened as the best play in its industry the last three years and continue to favor it due to its end-markets, a high quality own.

Confidence Ranking: \$\$