



FEATURED OPTIONS RADAR REPORT



Large Bull Spreads in E&C Leader with ESG Infrastructure Spending Growth

Ticker/Price: ACM (\$62.70)

Analysis:

Aecom (ACM) with a large opening trade on 8/18 as 10,000 March \$70/\$80 call spreads were bought to open for \$2.25 and becomes the only notable position in open interest. ACM shares have held firm compared to peers after a strong weekly reversal candle in mid-July at VWAP off the December lows and has formed a multi-week base with a close above \$64.75 needed to confirm. ACM is a premier global infrastructure consulting firm, delivering professional services throughout the project lifecycle – from planning, architecture, design and engineering to program and construction management. ACM divested their Civil construction business in January and now positioned well as a pure-play consulting services firm with better margins, ROIC and opportunity for growth. They held an investor day in February and noted that many of their state clients are likely to see significant funding tailwinds from President Biden's infrastructure proposal while growth in miles traveled and higher state tax collections should drive projects on a local level too. ACM revenues are split 42% to Government clients and 58% to Private. ACM sees strength in future results driven by secular growth themes like infrastructure and ESG-driven opportunities. Last quarter ACM delivered a book to bill ratio above 1 and delivered \$3.7B in contract wins while its backlog continues to grow. ACM currently has a market cap of \$9B and trades 19X Earnings, 12.5X EBITDA and 10.1X FCF with revenues seen rising 2-4% annually the next few years and EBITDA growing 7-10%. Analysts have an average target of \$77 and short interest is low at 1.2% of the float. CSFB raised its target to \$67 in May noting new management is setting a track record of beating guidance. Citi raised its target to \$80 in April positive on the E&C space into Infrastructure spending increases. Hedge Fund ownership fell 7% last quarter though Starboard Value continues to own ACM as its largest position.

Hawk Vision:



Hawk's Perspective: ACM has a nice bottoming pattern in place and looks attractively valued for the potential upside it can deliver as a leaner company in this infrastructure spending environment.

Confidence Ranking: \$\$