



## Unusual Call Buy in Federal Signal Sees Breakout Ahead

Ticker/Price: FSS (\$33)

### Analysis:

**Federal Signal (FSS)** unusual one yesterday with 1,500 May \$30 calls bought to open \$4.30 to \$4.50. FSS had 500 January \$30 calls bought in December but otherwise not a name that attracts a lot of options flow (total OI of around 900). FSS is coiled on the weekly after a strong run in 2019 and a move above \$34 triggers the next leg higher with a \$41-\$42 PT. The \$2B company trades 17.4X earnings and 1.7X sales with a 1% yield and expectations for mid-double digit growth. FSS is a maker of industrial vehicles for city maintenance with two business segments: Environmental Services and Safety. Their ESG business focuses on environmental solutions for municipalities and governments through street sweeper vehicles, sewer cleaners, and other clean up vehicles. They also offer refuse and recycling services. It's by far their biggest segment by revenue at \$958M. FSS has been active in consolidating a fragmented space and boasts a number of leading brands in the space like Westech, Vactor, Truvac, and Elgin. FSS sees a \$4B TAM with a multi-channel approach (rental/aftermarket, dealers, and distribution). Their SSG business does things like lights and sirens as well as warning systems for communities. It did \$228M last year. The company sees a \$2.6B TAM here with a wider end-market approach out to places like industrial oil and gas and heavy industry where audible signaling is more useful. FSS expects 2020 to be a significant growth year as they develop new products, expand their end-markets, and pursue more tack-on deals. Short interest is 2% and there's no notable sell-side coverage of the name.

### Hawk Vision:



**Hawk's Perspective:** FSS is a niche name that has always screened well and continue to like it on a fundamental and technical basis here.

**Confidence Ranking:** \$\$