



FEATURED OPTIONS RADAR REPORT



Call Buyers Target Leading Technical Services Provider with Multiple Tailwinds

Ticker/Price: J (\$134)

Analysis:

Jacobs Engineering (J) with 800 January \$140 calls bought this morning for \$5.30 to \$5.90 to open and follows sellers in the October \$135 puts recently for nearly \$500K. Jacobs has bullish open interest in the December \$135 calls as well, over \$500K bought in March while the \$105 puts sold to open. Shares in a strong trend since the March 2020 lows and forming a bull wedge recently under \$137.50 with a breakout targeting new highs. Jacobs is back just above the 23.6% retracement of the run and a move higher target \$145 and then \$165. The \$17.15B company trades 18.6X earnings, 1.22X sales, and 24.6X FCF with a small yield. Jacobs provides consulting, technical, scientific, and project delivery services for the government and private sectors. The company is benefitting from a major spending push towards infrastructure modernization and \$25B TAM opportunity in digital consulting. Jacobs has rallied this year ahead of the infrastructure deal given their exposure to project management growth while they also continue to see supportive budget improvements across space and cyber security. The company was at the Jefferies Industrial conference last week and positive on near-term trends given their strong execution history, growing backlog, pipeline potential and diversity in their end-markets which are rebounding well. Jacobs is also positive on growing margins above historical levels as they shift towards a bigger mix of higher-end solutions versus their typical long-term government contracts. Short interest is less than 1%. Hedge fund ownership fell 7%. Analysts have an average target for shares of \$137 with a Street High \$170. Citi positive on 6/25 citing the infrastructure plan which should be a tailwind for infrastructure-levered companies over the next 2-3 years. Benchmark has a \$160 PT and seeing it as a sneaky ESG play given its significant exposure to engineering and design of complex systems, which is prime territory for ESG improvements in water, clean energy, transportation, and climate resilience infrastructure. Jacobs had a large insider buy on 5/28 for more than \$1.4M at \$140.22 from a director.

Hawk Vision:



Hawk's Perspective: J is a favorite name that has pulled back to a nice risk/reward spot while the recent insider buying gives a lot of confidence in current trends continuing, on watch for a move above \$137.5

Confidence Ranking: \$\$