



FEATURED OPTIONS RADAR REPORT



Bull Targets Relative Strength Leader in HVAC As Demand for Smart Solutions Grows

Ticker/Price: JCI (\$76)

Analysis:

Johnson Controls (JCI) buyers of 1,000 January 2023 \$65 ITM calls for \$14.80 to \$14.90 on 11/11, a sizable bull trade in the strong name. JCI sees a lot of call sales, especially a large buy-write which has rolled multiple times since January with the stock appreciation. Shares are sitting right near new 52-week highs and put in an inside day on Thursday. A breakout above \$77 has a longer-term measured target out to \$86. The \$53.65B company trades 23X earnings, 2.3X sales, and 37X FCF with a 1.4% yield. JCI is coming off of a strong quarter as they continue to see record demand with their markets recovering while also managing to keep costs under control with price hikes and minimal supply constraints. JCI continues to see themselves positioned well for the next decade of building modernization and decarbonization with their new digital and smart offerings and expanded HVAC product portfolio. They've been expanding their solutions offerings too with OpenBlue while making strategic tech partnerships with Accenture, Alibaba and others to develop more efficient cooling systems for data centers. In the US, JCI has a major opportunity with the recent Federal funding for school modernization which will include actions around HVAC. The company was at the Baird conference yesterday noting that their schools business and footprint continues to grow and they expect to see a number of new projects announced. Analysts have an average target for shares of \$84.50 with a Street High \$91. Wells Fargo starting coverage at Overweight on 10/7, a 'clear valuation outlier' with plenty of upside if it executes on long-term targets. The firm thinks JCI can easily achieve its adjusted EPS CAGR target range of 18-21% announced at its investor day. Barclays raising their PT to \$82 recently seeing a catch-up trade in early 2022 as the industrials work through supply chain issues. MSCO positive in September noting that the commercial upgrade supercycle is happening now and JCI positioned well to take advantage. Hedge fund ownership rose 2% last quarter.

Hawk Vision:



Hawk's Perspective: JCI is a high-quality name and we're in the early innings of the 'green building' or modernization theme on the commercial side where they will play a critical role; these calls give a lot of time for a better entry and name to target on dips in 2022

Confidence Ranking: \$\$