



Eagle Materials Call Buyers Active as CEO Retires, Outlook Improves

Ticker/Price: EXP (\$74.25)

Analysis:

Eagle Materials (EXP) buyer of 525 July \$82.50 calls for \$2.40 follows recent activity with 1,500 April \$82.5 and 1,000 April \$85 calls bought in open interest as well as 2,500 July \$60/\$80 call spreads that opened on 1/7. EXP follows peer bullish positioning recently in April in MLM/VMC, all potential beneficiaries of an Infrastructure Spending package. On the chart EXP shares are forming a large weekly base under the \$83 level with a break above measuring to a target above \$100. The \$3.5B supplier of heavy construction materials trades 13.75X Earnings, 2.5X Sales and 21.45X FCF with a 0.52% yield. EXP's currently outlook is for fairly weak growth next year at 2.5% while EPS see rising 11%. EXP is a low cost producer with Gypsum Wallboard and Cement accounting for most of its revenues. The CEO announced his retirement on 3-4 which could drive some speculation it could for sale. Analysts have an average target of \$86 and short interest is 5.4% of the float. Last September Macquarie started coverage at Buy with a \$105 target citing tight cement market capacity and wallboard hitting its stride, and notes EXP's strong FCF and modest leverage. Jefferies was positive the Materials group this morning on China green shoots, a turn in the inventory cycle and better housing data. Hedge Fund ownership was down less than 1% in Q4 filings, Three Bays and Melvin Capital exiting positions while Maverick took a new stake.

Hawk Vision:



Trading Strategy: EXP is breaking support short-term and looking at a retest of that \$72 level as ideal support here.

Confidence Ranking: \$\$