



Tempur Pedic Calls Accumulate

Ticker/Price: TPX (\$60)

Analysis:

Tempur Sealy (TPX) with 2,500 May \$62.50 calls bought early for \$2.25 offer and later more buyers up to \$3.10 with over 4,000 trading on the day. The June \$67.50 calls also seeing 600 bought \$1.45/\$1.50 on the day. Today's flow follows the January \$67.50 calls bought over 2,500X last week and the June \$55 calls with buyers. Over 8,000 of the May \$65 calls have been bought as well in late March. Shares are working out of a narrow range today after pulling back to the 50-EMA. Today's move has a measured move to \$66 while longer-term moving out of this big weekly range targets \$80 and the July 2017 highs. TPX is forming a big multi-month base since early 2018 and positive RSI divergence into the recent low. The \$3.22B company trades 14.37X earnings, 1.19X sales, and 29X FCF with 20% EPS growth expected in 2020. TPX is seeing 4-5% revenue growth and potential for further expansion in 2019 with the Mattress Firm bankruptcy. Tempur sales were strong in Q4 up 24% while the Stearns relaunch was a minor headwind which management sees working out over time. They see 2019 as an inflection for margins due to better pricing and product mix after years of revamps and lessening impact from commodity pressure. TPX is part of an industry group which has filed a petition with the Commerce Dept. over antidumping and expects a resolution in Q2. Analysts have an average target for shares of \$58 with 4 buy ratings and 3 hold ratings. Loop Capital keeps at Sell. Short interest is 14.5% but down from 19.5% in January and steadily lower since June when it was 26%. BAML positive on 3/26 citing significant market share gains vs Serta Simmons. They see potential upside from a reconciliation with MFRM. BAML notes positive TPX management commentary on the 4Q call and a move would be in the economic interests of both parties. Institutional ownership rose 4.5%. Centerbridge a buyer of 1.9M shares while Greenlight has a 1.3M share position.

Hawk Vision:



Trading Strategy: TPX is triggering a technical breakout today with the bullish flows, though into 2019 SNBR my preferred name in this niche group and that saw call buying yesterday.

Confidence Ranking: \$\$