



Masco Call Buyers into Value-Unlock Catalyst

Ticker/Price: MAS (\$37)

Analysis:

Masco (MAS) with 1320 July \$35/\$30 bull risk reversals opening at \$2.67 debit. MAS did see June \$38 puts open 6,500X last week but also has 2,000 each of the June \$38 and \$39 calls in open interest from buyers, as well as 1,000 July \$39 and 10,000 July \$40 calls. The October \$40 calls also have seen 1,000 bought to open. MAS shares have rallied strong in 2019 and forming a consolidation range \$36.70/\$40, testing the lower end of its range with market weakness. The \$11.1B maker of home improvement and building products in Plumbing, Windows, Decorative, and Cabinets trades 12.6X Earnings, 18.4X FCF and 9.6X EV/EBITDA with a 1.27% yield. MAS expects 7% EPS growth this year and 12.5% growth in 2020. It will present at the JPM Building Conference on Wednesday. Analysts have an average target of \$47 on shares and short interest at 1.9% of the float is down 40% Q/Q. BAML raised its target to \$56 on 5-6 in anticipation of a portfolio rationalization driven re-rating. Masco has been exploring strategic alternatives for its Cabinetry and Window businesses. Raymond James upgraded it to Strong Buy on 4-26 as a special situation. Jefferies sees Masco unlocking value and sum-of-the-parts gives a \$46 target. Hedge Fund ownership jumped 17.7% in Q4 filings, notable new concentrated positions from Lakewood Capital while Nokota added to its stake.

Hawk Vision:



Trading Strategy: MAS is an event-driven play and the valuation is clearly attractive though the current market environment does not lend much faith to anything on the long-side until we see volatility calm.

Confidence Ranking: \$\$