



## Bulls Pile into Summit Materials Following Activist Filing

**Ticker/Price:** SUM (\$18)

### Analysis:

**Summit Materials (SUM)** with buyers of 1,500 August \$17.50 calls early for \$1.45 to \$1.60 and now over 4,300X on the morning. SUM also seeing 950 January \$17.50 calls bought for \$2.80 to \$2.90 and recent action opening the January \$17.50 calls and November \$15 calls. SUM is nearing a multi-month base breakout above \$18.50 which measures out to \$23 with positive RSI into the recent lows. SUM traded as high as \$32.50 in mid-2018 and broke a downtrend in early 2019. The \$2.04B company trades 16X earnings, 0.96X sales, and 31.5X cash with 33.8% and 22.1% EPS growth forecast. SUM sees 5.3% and 7% sales growth through 2021. SUM is an activist situation with Southeastern disclosing an 11.4% stake and pushing for changes at the company and potential divestitures or deals to drive shareholder value. In early June, it was reported that Colombia's Cementos Argos had approached about a merger. SUM has faced headwinds over the last year but seeing aggregates volume grow 6.6% last quarter and potential long-term tailwinds from emerging infrastructure projects in the US. Analysts have an average target for shares of \$20. Jefferies positive on 6-18 seeing shares trading far below replacement value of \$29/share. They see 2019 as a bounce-back year for shares with price hikes potentially and accelerating lettings activity in key markets seen in 2018 supporting organic aggregates volume growth of 4%. Stifel with a \$23 PT for shares. Short interest is 16.8% and near multi-year highs in a sign of caution. Hedge Fund ownership fell 3.25% last quarter. Adage Capital and GMT Capital concentrated holders. SUM has seen a number of insider buys over the last year with four different individuals buying \$1.4M in stock between \$21.15 and \$13.20. The largest was a \$750K buy from the COO in 2018 around \$21 while the President and CEO bought \$500K in February.

### Hawk Vision:



**Trading Strategy:** SUM is clearly an event-situation play here, a sharp move already and could see it settle back to \$16 as these tend to take time to play out.

**Confidence Ranking:** \$\$