



Armstrong Worldwide Bulls Patient as Shares Base

Ticker/Price: AWI (\$96)

Analysis:

Armstrong Worldwide (AWI) shares basing in a narrow range since late July and putting in a small reversal candle yesterday off of support. AWI has 3,150 November \$100 calls in OI from a buyer in June around \$4.10, a more than \$1.29M trade. These calls are marked around \$2 now and the only notable open interest in the name. AWI is basing nicely above the 20-week EMA and move above \$100 has room out to \$110 and extension of the strong trend from late 2018. The \$4.68B company trades 18.5X earnings, 4.5X sales, and 19.3X cash with double-digit growth. AWI is seeing strength in their Architectural Specialties business after the deal for ACGI in March and guiding to 15% growth in volumes for the year, above expectations. They are entering the second year of restructuring following the separation of their Flooring business and also divesting their EMEA and Pacific Rim businesses. AWI sees drivers going forward from AUV improvement in Mineral Fibers, share gains in AS including possible M&A, and advancements of their digitalization initiative. Analysts have an average target for shares of \$93 with 4 buy ratings, 3 hold, and 1 sell. BAML raising their PO to \$110 on 7-31 citing solid execution, dominant mineral fiber market share and meaningful growth opportunities in Architectural Specialties. They also see a lot of valuation upside still following the spin of Armstrong Flooring in 2016. Deutsche Bank starting coverage at Buy with a \$107 PT on 6-24 and Sun Trust with a \$109 PT citing group leading margins and room for multiple expansion as growth accelerates. Short interest is 3.1%. Hedge Fund ownership fell 25%. Carlson Capital, Cipher Capital, and Tudor notable holders.

Hawk Vision:



Hawk's Perspective: AWI sets up well versus the \$92 level though this position is already playing with house money after rolling multiple times, so jumping in here is a bit riskier.

Confidence Ranking: \$\$