



## Unusual MDC Calls Buy into Weakness

**Ticker/Price:** MDC \$36.80

### Analysis:

**MDC Holdings (MDC)** buyers of 3,000 March \$39 calls today from \$1.95 to \$2.10, trading over 17X average volume in the name and already has 2,500 December \$40 calls in OI from buyers in early September. MDC has been weak recently following earnings and back near the rising 200-MA at \$34.80. Shares have been on a massive run higher since March up around 72.5% and back around the 50% retracement of that move at \$37. The \$2.33B homebuilder trades 9.25X earnings, 0.75X sales, and 7X cash with a 3.15% yield. MDC is expecting 15% EPS growth in 2020 with 11.5% revenue growth. MDC is a smaller homebuilder with footprint in the West and Northwest US with a focus on single-family and first-time homebuyers. MDC is seeing better margins on home sales while unit volumes up 58% Y/Y. Analysts have an average target for shares of \$45 with limited coverage. Raymond James upgrading to Strong Buy on 9-13 with a \$49 PT. The firm notes that Summer order activity has been "dramatically ahead" of expectations and MDC faces easier Y/Y comps into the Fall. They think MDC will continue to benefit from its distinctively re-designed affordable homes along with increasingly favorable market conditions across its core footprint. In February, BAML noting that MDC could be an attractive M&A target for someone like TOL as the industry continues to consolidate. Short interest is 3.3% and near multi-year lows. Polar Capital and Pacific Capital notable holders.

### Hawk Vision:



**Hawk's Perspective:** MDC is a pretty ugly chart in the near-term but would watch for a bounce/consolidation around the 200-day MA and plenty of time with the March timeline

**Confidence Ranking:** \$\$