



Front Yard Residential Bullish Positions Accumulate

Ticker/Price: RESI (\$10.50)

Analysis:

Front Yard Residential (RESI) with 11,750 January \$12.50 calls bought for \$0.20 to \$0.25 today and recently buyers of 12,500 January 2021 \$15 calls for more than \$1.5M and 10,000 June \$15 calls. Shares are down 15% since late October earnings and back at weekly cloud support as well as VPOC of a big 2-year base at \$10.65 and an ideal bounce spot. The \$568M company trades 12X cash with a 5.7% yield with mid-single digit growth. RESI is a provider of affordable rental homes with a focus on suburban communities. They're benefiting from some favorable secular tailwinds such as growing renter demand vs ownership. They also see significant opportunity in a fragmented space with only 1% of rented homes managed institutionally. RESI is coming off a mixed quarter with NOI and FFO both down as a result of a number of short-term initiatives to boost leasing and occupancy rates. They are also executing on a number of improvement projects like utilizing route optimization software for maintenance teams as well as hiring more skilled staff in HVAC, electrical and plumbing to reduce outside expense. In June, the company announced plans to evaluate strategic alternatives and hired advisors. They said earlier this month that results are 'imminent.' Short interest is 3% and down from 6.2% in January. Hedge fund ownership was down 8% in Q3. Deer Park Road Management adding to their stake, a 12% holder. RESI has seen a number of insider buys this year including more than \$500k from a director in May around \$10.85 to \$11.60. Analysts have an average target for shares of \$15 but limited coverage.

Hawk Vision:



Hawk's Perspective: RESI is trading below the level Insiders paid and also exploring alternatives so this looks like an attractive reward/risk into this weakness.

Confidence Ranking: \$\$