



Invitation Homes ITM Calls Stick with Homebuilder

Ticker/Price: INVH (\$29.80)

Analysis:

Invitation Homes (INVH) trading 30X average calls today with a buyer of 2,500 December \$25 calls for \$4.75 into weakness, a trade that will easily open the largest line of open interest in the name. INVH has been one of the steadiest names all year up 51% and pulling back today to the rising 50-MA where it has found support previously. 52-week highs are just above at \$31.25 and a move higher targets \$33-\$34. The \$16.34B company trades 23.3X FFO and 2X book with a 1.7% yield with 5% annual revenue growth. INVH is an owner/operator of single-family homes and has been expanding their market reach into new high-growth markets in 2019 where they're realizing better home appreciation and occupancy rates. The company hosted an analyst day on 10-4 and outlined plans for growth in 2020 and beyond as a significant amount of pent up demand among younger generations is moving into their target demo and interest in renting over buying has grown. Analysts have an average target for shares of \$30. BTIG downgrading to Neutral on 10-31 citing valuation while RBC with a \$30 PT expecting favorable trends in both rent hikes and occupancy to continue. They also note turnover has moved lower which is helping expenses. CSFB with a \$32 PT and Outperform, noting on 10-29 they see higher occupancy positions into year-end helping them ahead of a seasonally slower rental period. Short interest is 1.6%. Hedge fund ownership rose 34% in Q2, Blackstone a majority holder with 219M shares. Zimmer Partners a notable holder with 6.9M shares and adding.

Hawk Vision:



Hawk's Perspective: INVH is one I could see moving a bit lower to retest the former breakout near \$29.25 but then would set-up as a nice reward/risk as Homebuilders remain in very strong trends.

Confidence Ranking: \$\$