



Masco Positioning Continues Bullish into Strength

Ticker/Price: MAS (\$47.30)

Analysis:

Masco (MAS) the April \$46/\$41 bull risk reversal opening 2435X for \$2.53 today and follows buyers recently of 2,475 April \$44 calls, priced today near where they were bought, and over 8,900 January \$46 short puts. Shares have been strong all year and flagging above the rising 50-MA and near multi-year highs. A run over \$48 has room to \$51-\$52 but with shares up above the 2018 highs around \$46 can extend much further. The \$13.69B building materials company trades 18.28X earnings and 1.75X sales with a 1.15% yield. MAS has undergone a busy 2H of 2019 after disposing of their sluggish cabinet business to ACP Products for \$1B and their windows business, Milgard, for \$725M which was above street estimates. The remaining company is a more focused entity with specialties in Plumbing and Paint, two areas where they continue to see growth. MAS has agreed to buy back over \$1B in stock in 2020 and room for further capital return as they get more clarity on cost savings. MAS sees accelerating top and bottom-line growth the next two years with mid-teens EPS growth with revenues up 3% and 4.6%. Analysts have an average target for shares of \$48.50 with 11 buy ratings and 4 hold. Atlantic with a \$60 PT earlier this week while Jefferies positive on 12-13 noting the Phase One trade deal is a positive for the company as a 50% rollback will boost EPS by 6%. Keybank upgrading to Overweight on 12-10 seeing room for re-valuation of the Paint and Plumbing businesses as standalone entities and the simplified structure gives more stability. The firm thinks steady remodel demand will support cash flow growth. Short interest is 6.6%, jumping lately. Hedge fund ownership was down 16.5% in Q3 although Adage Capital, Pointstate, and Squarepoint buyers.

Hawk Vision:



Hawk's Perspective: MAS has run a long way as being a top Building Materials name with flows all year and cheap valuation as it reshuffles the portfolio, and looks likely to continue to Outperform.

Confidence Ranking: \$\$