



Pulte Bullish Accumulation Looks for Housing Strength to Continue

Ticker/Price: PHM \$42.91

Analysis:

Pulte Homes (PHM) buyers on 3/4 of more than 3,000 July \$46 calls for \$2.75 and spot where 700 were bought in late November. PHM has seen buyers in the January ITM \$37 calls and April \$40 calls recently as well. PHM shares pulled back to cloud support and the prior range and bounced this week, continuation of a strong long-term trend. The recent highs are just above at \$47 and a breakout targets \$54. MACD and RSI have both reset and plenty of room to run. The \$12.04B homebuilder trades 9.45X earnings and 1.18X sales with strong FCF and margins. PHM is guiding to high-single digit EPS growth and revenues up 7.35%. PHM has tailwinds from recent strength in building permits which hit a 13-year high in February. Housing continues to have overall market strength with low unemployment, a strong consumer, favorable rates, and growing pool of first time buyers. PHM is seeing strong new order flow, up 33%, while their backlog value jumped to \$4.5B. PHM said they remain “well positioned to increase delivery volumes, revenues, homebuilding gross margins, and earnings in 2020.” Analysts have an average target for shares of \$42. BAML positive on 1-7. They think as the homebuilding recovery spreads upstream to move-up buyers, PHM is best positioned given its best in class margins and returns. Susquehanna upgrading to Positive on 3-3 with a \$51 PT. The firm expects PHM to see a re-acceleration in demand and pricing power while the company continues to protect its gross margins and return capital to shareholders. Short interest is 4.7% and down from around 10% in late 2018. Hedge fund ownership fell less than 1%. Merian Global a top holder. A director bought stock in January around \$38.76, although small in size.

Hawk Vision:



Hawk’s Perspective: Housing has been a strong area and prefer **PHM** and **DHI** in the space but the environment right now calls for more caution, so would prefer to wait for a better setup.

Confidence Ranking: \$\$