



Call Spreads in Summit Eye Base Breakout

Ticker/Price: SUM (\$13.40)

Analysis:

Summit Materials (SUM) with 5,000 August \$15/\$20 call spreads bought this afternoon for \$1.20, adjusting some May positioning that bought into the recent March lows, and later another 500 August \$15 calls bought \$1.65/\$1.75. SUM has little to no other notable OI but did have 1200 January 2022 max strike \$30 calls bought recently. SUM has recovered modestly off of the recent lows with a series of higher-highs and higher-lows. A breakout above \$15 and out of this multi-week volume node has room up to the 200-MA and \$20, ideal target for these spreads. The \$1.74B company trades 22X earnings, 0.77X sales, and 13.8X FCF with more than \$500M in available liquidity and the nearest debt maturities more than 3-years away. SUM saw April activity steady across all of their main markets as construction deemed an essential business while early Q2 reads are positive with highway projects greenlit in TX, MO, VA and GA while Kansas recently passed a new \$10B transportation bill. They're also seeing better pricing on cement and ready-mix with price hikes set for June 1. Analysts have an average target for shares of \$19 with 9 buy ratings, 6 hold and 1 sell. Stephens downgrading to Neutral on 4-30 citing lack of visibility on private construction demand, both residential and commercial. They're also concerned about future infrastructure demand as current projects wind down. Short interest is 8.9% and down from 16.8% in July. Hedge fund ownership fell 14.5% in Q4, activist Southeastern Asset Management selling their 12.8M share stake. Shares are back at a spot where insiders were very active in late 2018 including some big trades above our current range like a \$507,813 purchase from the CEO at \$16.25 and a \$750,823 buy from the COO at \$21.15. SUM would be a big beneficiary of any potential infrastructure spending, whether it is in the fourth stimulus bill or later and seemingly a bipartisan issue in the post-COVID world. In early April, Jefferies noting that SUM would outperform in a scenario where Speaker Pelosi could bring back the \$780B "Moving Forward" bill introduced in January.

Hawk Vision:



Hawk's Perspective: SUM could trigger nicely above \$14.70 though VMC the high quality leader in this space and preferred name for exposure to infrastructure spending.

Confidence Ranking: \$\$