



Large Call Buys in Lennar as Home Buying Recovers

Ticker/Price: LEN (\$63.20)

Analysis:

Lennar (LEN) size buyers today of 3,000 November \$65 calls up to \$7.50 and still has 2,500 August \$70 calls in OI from buyers earlier this year. LEN has been a strong performer off the March lows and moving off the rising 8-EMA today with the February highs not far off. LEN has struggled to gain longer-term momentum over the last six or seven years but a run above \$70 could get some momentum and clear path to \$100 over time. The \$18.13B homebuilder trades 11.7X earnings, 0.79X sales, and 17.2X cash with a small yield. LEN will report earnings on 6-16 and likely sees tailwinds to their FY outlook given interest rates continue to hit record lows and mortgage demand data today jumped 18%. There's also been positive commentary from home-searching sites like Zillow and Redfin indicating that demand for housing has bounced back stronger than some other areas during the COVID-19 crisis. LEN is well positioned in some key markets and in March noted Q1 new orders had been tracking up 18%. They've been shifting more towards affordable price points where demand is highest and should support long-term growth. Analysts have an average target for shares of \$57. CSFB started coverage on 5-27 with a Neutral rating and \$62 PT. They think order growth may not be as robust as peers that have more exposure to entry-level even though LEN has been shifting that way. Short interest is 3.4% and near 5-year lows. Hedge fund ownership fell double-digits in Q1 largely due to one big seller while Eminence Capital added over 1.3M shares and Echo Street Capital, Greenhaven, and Sanders Capital all net buyers.

Hawk Vision:



Hawk's Perspective: LEN has long been a favorite in the group and valuations remain cheap, a group that could see further momentum to new highs.

Confidence Ranking: \$\$