



## FEATURED OPTIONS RADAR REPORT



### Owens Corning Seen Benefitting from Improving Housing Demand

Ticker/Price: OC (\$55.70)

#### Analysis:

**Owens Corning (OC)** traded 55X daily calls on 7/6 with afternoon activity sending IV higher with 3,075 August \$60 calls trading \$2 to \$2.25 and followed the August \$60/\$70 call spreads bought 1300X on 7/1. OC also saw 500 November \$52.50 puts sold to open on 6/8 and has a position of 600 January \$72.50 calls bought back on 1/17 in OI. OC shares have climbed sharply off the March lows and more recently forming a narrow consolidation base above the 144-day moving average. OC is a global building and industrial materials leader that capitalizes on market-leading positions and innovative technologies to deliver substantial free cash flow. The \$5.95B company operates three relatively disparate businesses with Composites, Roofing and Insulation and with peer Masco (MAS) doing a strategic review last year OC has been speculated to potentially take that road after some special situation investors built a stake. Roofing is more resilient in downturns, Composites faces headwinds from a global industrial production slowdown and Insulation has high fixed costs and competition. OC's exposure is roughly 35% to Repair/Remodel, 12% New Construction, 20% Commercial/Industrial, and 33% International. Management has been able to improve margins the past decade investing in new technologies and implementing cost reductions. OC currently trades 14.85X Earnings, 8X FY21 EBITDA and 9.55X FCF with a 1.73% yield and averages a ROIC near 6%. Analysts have an average target of \$56.50 and short interest down 38% Q/Q and near multi-year lows at 2.8%. On 6/23 Deutsche Bank raised its target to \$60 seeing a rebound coming in building products and positive in a low rate environment. Benchmark raised its target to \$63 on 6/18 seeing housing demand improving with supply limited and sees the multiple moving higher as earnings estimates improve. Jefferies on 5/28 raising its target to \$62 after a meeting with the CEO who is seeing green shoots and could see a quick recovery in Housing.

#### Hawk Vision:



**Hawk's Perspective:** OC forming a nice base along a rising 34 EMA to trade against, and could become an interesting special situation, positive reward/risk here.

**Confidence Ranking:** \$\$