



FEATURED OPTIONS RADAR REPORT



Unusual Call Surge in Building Material Growth Name

Ticker/Price: BLDR (\$31.35)

Analysis:

Builders FirstSource (BLDR) traded 120X daily call volume on 8/13 as more than 10,000 September \$32 calls were bought to open \$1.75 to \$2.10 in large sweeps. The only other notable open interest is the 5000 November \$15 puts sold to open on 7/9. BLDR shares with a big move this week clearing the early 2020 highs and the 138.2% extension of the COVID correction targets a run to \$36. BLDR was in the news this week on news it will join the S&P 400 as of 8/17. BLDR end-markets are 71% single-family and product distribution is 28% specialized, 41% value-added, and 31% lumber and sheet goods. BLDR is a leading vertically integrated building material supplier in a highly fragmented industry. The \$3.5B company trades 13.2X Earnings, 3.87X Book and 9.35X FCF. Analysts have an average target of \$30 and short interest is low at 2.5% of the float. B. Riley upgraded to Buy with a \$30 target on 8/3 citing rebounding demand and higher lumber prices a catalyst for margin improvement and notes a historically strong record of cash flow and execution. RBC raised its target to \$31 citing the rise in lumber and OSB prices, demand acceleration and SG&A leverage. It also notes with leverage declining it becomes investable for a greater number of funds and sees balance sheet flexibility allowing it to target M&A or return cash to shareholders. Hedge Fund ownership jumped 21.7% in Q1 filings.

Hawk Vision:



Hawk's Perspective: BLDR has been on a run and if it can close the gap and pull back to that 8 EMA a nice opportunity, a good fragmented space where have long liked **BLD**, **IBP**.

Confidence Ranking: \$\$