



## FEATURED OPTIONS RADAR REPORT



### Bulls Position in Louisiana Pacific on Housing Demand

Ticker/Price: LPX (\$31)

#### Analysis:

**Louisiana Pacific (LPX)** bullish flows today with 800 February \$32 calls bought \$3.40 to open and another 10,000 November \$34 calls being bought earlier for \$1.20 to \$1.30, looking to add to open interest. LPX has 2,450 November \$32 calls in OI as well from buyer accumulation as well. Shares have been strong since March and shallow pullback recently after testing the February highs near \$34. LPX is starting to turn the corner this week back above the 8- and 21-MA, both sloping higher, while MACD and RSI improving and ready to run. The \$3.36B building products company trades 11.37X earnings, 1.5X sales, and 36.2X FCF with a 2% yield. LPX is a leader in engineered wood siding and benefitting from demand from single-family housing as well as improvements in the repair and remodel market (JCHS projections in July noted they see a turnaround in remodel spending in early 2021). LPX is benefitting from a shift into more specialty products like their higher-value, higher-margin SmartSide engineered wood strand tech which has been growing at 7% and well-above industry-levels for siding. Analysts have an average target for shares of \$31, although limited coverage, and BAML at Street High \$37 and positive on 9/11 on increases in EWP prices, which they expect to start rolling into results in 4Q20. Stephens cut to Underweight on 9/30 noting while the company offered investors "an optimistic view of the future," mainly tied to its success in siding the firm fears they are doubling down at a time when downside risk and uncertainty are unusually high. Short interest is 1.5% and down steadily since March 2019 when it peaked around 11.5%. Hedge fund ownership fell 10% in Q2. LPX saw insiders active in March around \$27 while the CEO bought stock in 2019 around current levels of \$29.50.

#### Hawk Vision:



**Hawk's Perspective:** LPX with a healthy pullback and base on rising 89 MA looks nice here, want to confirm OI change but overall the prospects never been brighter for building material names.

Confidence Ranking: \$\$