



FEATURED OPTIONS RADAR REPORT



Fortune Brands Bull Adjusts for Further Upside

Ticker/Price: FBHS (\$88.65)

Analysis:

Fortune Brands Home & Security (FBHS) unusual activity on 12/21 with 1200 March \$90 calls bought \$6.10 and 600 of the \$100 calls bought at \$2.50, and looks to have adjusted out of the \$80 calls bought back on 12/2 while 750 of the \$110 calls bought on 9/1 remain in open interest and March \$75 short puts remain in OI 600X. FBHS shares are forming a long weekly bull flag above its rising 21-week moving average, a pattern that measures to \$125 on a move above \$90. The \$12B maker of home and security products trades 19X Earnings, 2.1X Sales and 22.7X FCF with a 1.16% yield. FBHS has around a 10% ROIC and 5.5% FCF yield, a strong fundamental play, and forecasts expecting 10.7% revenue growth and 15% EPS growth in 2021. FBHS sales are broken into Plumbing (50%), Cabinets (30%), and Security/Doors (20%) and has a lot of notable brands like Moen, WoodCrafters, Master Lock, SentrySafe and more. FBHS has deployed capital efficiently with 45% of \$4.4B since 2012 to acquisitions and 43% to repurchases. FBHS has strong exposure to repair & remodel but also seen boosted by a strong housing market. FBHS sees multi-year positive tailwinds from favorable demographics, low inventory and an aged housing stock. Analysts have an average target of \$95 and short interest down 50% Q/Q to just 1.2% of the float. UBS recently named it a top pick with a \$105 target. JPM recently raised its target to \$98 liking the deal for Larson Manufacturing in the outdoor space. FBHS is US-centric but has a growing China business and also benefits from higher ticket item spending. Hedge Fund ownership fell 4% in Q3 filings.

Hawk Vision:



Hawk's Perspective: FBHS is an under-appreciated strong play for the housing market strength and in repair/remodel, a good looking quality name that seems ready for a move to \$110.

Confidence Ranking: \$\$