



## FEATURED OPTIONS RADAR REPORT



### DR Horton Bulls Position for Strong Spring Housing Market

Ticker/Price: DHI (\$70.85)

#### Analysis:

**DR Horton (DHI)** a name with a lot of bullish open interest including 25,000 January \$80 calls bought and 22,000 of the \$60 puts sold, but this week a focus on May where 6000 May \$75 calls opened for over \$4M and also seen buyers in \$85 and \$90 calls. DHI is forming a nice weekly bull flag above its 21-week moving average with housing names pulling back recently on rising rates and concerns of a slowdown to the hot housing market of 2020 in 2021. DHI shares can make a run to \$100 on a move above \$78 out of this consolidation. The \$27B homebuilder trades 8.4X Earnings, 6.5X EBITDA and 25X FCF with a 1.08% dividend yield. DHI revenues jumped 15.5% in 2020 and seen rising 22% in 2021. DHI continues to invest in single-family and multi-family rentals expecting to double its investments in 2021. The housing market continues to have pent-up demand with a favorable rate environment and DHI has also been able to increase its margins. DHI also has an investment in Forestar as a residential lot manufacturer and continues to grow that business. Analysts have an average target of \$88 on shares and short interest down to multi-year lows at 1.3% of the float. UBS initiated shares at Buy after the close on 12/8, and on 11/19 Truist upgraded to Buy with a \$100 target as a large cap growth play on first-time and entry-level housing boom with strong visibility. SIG upgraded to Positive on 11/1 citing better earnings power after a blowout quarter and sees estimates needing to rise. Hedge fund ownership fell 10% in Q3 filings, notable large holders include Egerton and Soros.

#### Hawk Vision:



**Hawk's Perspective:** DHI is a favorite name and I think Housing still has plenty of tailwinds into 2021, so liking this set-up with the May calls giving plenty of time to play out.

**Confidence Ranking:** \$\$\$