



## FEATURED OPTIONS RADAR REPORT



### Call Buyers and Insiders See Attractive Entry to Outdoor Living Play

**Ticker/Price:** AZEK (\$33.40)

**AZEK Company (AZEK)** is seeing bullish positioning accumulate with February having 2000 of the \$30 calls though also 2400 of the \$35 puts remaining in OI while in March the \$35 calls with 3880X and on 2/8 a buyer of 2000 June \$35 calls for \$500K. AZEK shares recently pulled back near its IPO levels from 2020 and showing some support near the \$30 level where a double bottom formed. AZEK is a leading vertically integrated manufacturer of composite and PVC decking and PVC exteriors for the residential market and of PVC sheets and products for the commercial market. AZEK is positioned well in the outdoor living industry trend toward material conversion from wood to composite and PVC materials, as well as from its strong brand name, focus on materials science, new products, and broad product selection. AZEK operates highly automated manufacturing and recycling facilities in Ohio, Pennsylvania and Minnesota and, in 2021, announced plans to open a new facility in Boise, Idaho. AZEK expects to see margin expansion with its focus on recycled material and is a sustainability theme play. It sees a \$20B market for its outdoor living, exterior and adjacencies. AZEK has delivered a 16.9% sales CAGR since 2017 and expanded EBITDA margins by 260bps. Composite decking penetration is near 22% and expected to rise to at least 50%. AZEK has a market cap of \$5.4B and trades 24.2X Earnings, 17X EBITDA and 4.4X Sales with revenues seen rising 20% in 2022 and EBITDA jumping 21%. AZEK saw four insiders buy shares this week for over \$1M combined around the \$30.35 level. Analysts have an average target of \$45 with short interest low at 1.9% of the float. Barclays out positive last week seeing an attractive entry point and lowered its target to \$43 citing new capacity additions. DA Davidson raised to Buy on 2/1 with a \$42 target seeing compelling entry for a high-growth name with high lumber prices and potential for margin expansion.

#### Hawk Vision:



**Hawk's Perspective:** AZEK looks attractive at these levels considering TREX trades 29X EBITDA with margins only 600bps higher. It's a strong story with multiple secular bull trends supporting long-term growth.

**Confidence Ranking:** \$\$