



FEATURED OPTIONS RADAR REPORT



Bulls See Builder FirstSource Benefiting from Housing, Commodity Strength

Ticker/Price: BLDR (\$47.95)

Analysis:

Builders FirstSource (BLDR) August \$50 calls active with buyers on 5/17 as 3400X traded up to \$3.50 offer and follows 4000 accumulating in open interest from buyers since action on 4/15. BLDR also has 2000 June \$50 calls, 1280 July \$45 calls, and 1760 July \$50 calls bought in open interest. BLDR shares have pulled back off highs recently and working on a hammer reversal at the rising 55-day moving average, a name in a strong trend and back above \$50 can target a move to \$55 or higher. BLDR is a leading supplier and manufacturer of building materials, manufactured components and construction services to professional homebuilders, sub-contractors, remodelers and consumers. It completed a key merger with BMC Stock Holding to start 2021 and operates approximately 550 locations in 40 states across the United States. Its manufactured products include our factory-built roof and floor trusses, wall panels and stairs, vinyl windows, custom millwork and trim, as well as engineered wood. BLDR also supplies building products it does not manufacture and offers a full range of construction-related services. The \$9.9B company trades cheap at 13.1X Earnings, 0.9X Sales and 2X Book with revenue seen rising 97.8% in 2021 and EBITDA up 162% due to the merger as well as strong tailwinds from the residential market strength. BLDR's integration with BMC is running ahead of schedule and expects strong cost synergies. BLDR continues to have interest in more acquisitions with a strong balance sheet and a fragmented industry ripe for further consolidation. According to Freddie Mac, the U.S. housing market is 3.8 million single-family homes short of what is needed to meet the country's demand. Representing a 52% increase in the nation's home shortage compared with 2018. The gap has widened significantly over the past 2 years, as builders have struggled to keep up with demand in part due to labor and material supply constraints. Analysts have an average target of \$65 and short interest is at 9.5% of the float, down 30% Q/Q. BTIG raised its target to \$67 on 5/7 on strong volume growth and attractive valuation for this housing environment. Truist raised its target to \$60 as a beneficiary of lumber inflation but also sees a strong long-term story. Barclays raised its target to \$68 after the strong Q1 report with strong margins due to the commodity tailwinds.

Hawk Vision:



Hawk's Perspective: BLDR put in a nice trade against hammer and is a clear value while also fits the current environment well, a name that can easily get up to \$60.

Confidence Ranking: \$\$