



FEATURED OPTIONS RADAR REPORT



Bullish Options Accumulation in Mortgage Originator with Hidden Value

Ticker/Price: COOP (\$41.50)

Mr. Cooper Group (COOP) with 4500 April \$45 calls bought for \$720K on 1/5 and has 14,775 April \$35 short puts in open interest from trades in early November. COOP also has more than 15,000 April \$45 puts in open interest from multiple days of activity since November and every large lot was sold to open on the bid. On 12/15 a block of 15,000 January \$40 short calls adjusted to July \$50 extending a short call position while 8000 January \$35 long calls continue to hold. COOP also has elevated January 2023 put OI in the \$40, \$35 and \$30 strikes from opening sales, so a name smart money sees plenty of value in near \$40. COOP has pulled back off October highs but remains in a strong trend basing on its 21-week EMA after a big flag breakout at \$35 in July. Mr. Cooper is the largest non-bank servicer of residential mortgage loans in the U.S. as a major mortgage originator and provides title, real estate owned disposition, and other services through its subsidiary, Xome. Xome provides integrated, scalable real estate solutions across the entire loan lifecycle to Mr. Cooper and third-party mortgage companies. Xome's operations are comprised of three divisions: Exchange, Title and Solutions. COOP has a market cap of \$3.1B and trades 7.45X Earnings, 1X Book and has a ROE that has risen substantially the last few years reaching 37% in 2020 and last quarter at 25.2% exceeded its 12% target for ten straight quarters. COOP sold its Title365 business to Blend Labs for \$500M in Q2 and has been actively shedding assets and has received interest for its exchange business. Analysts have an average target of \$50 with short interest at 4.9% of the float. Piper raised its target to \$60 in November noting the Xome Exchange business in a valuable call option the market is giving zero value to and sees it worth \$15/\$20 per share. Piper sees very attractive risk/reward despite headwinds in the mortgage originations market.

Hawk Vision:



Hawk's Perspective: COOP looks to be an overlooked event-driven play and all this activity supports a value for shares closer to \$50 so looks attractive at this level.

Confidence Ranking: \$\$