



## FEATURED OPTIONS RADAR REPORT



### Bullish Spread Sees Opportunity in Earnings Weakness for Best-in-Class Homebuilder

**Ticker/Price:** DHI (\$89.88)

#### Analysis:

**DR Horton (DHI)** rebounding from earnings lows and buyers active today for the September \$95 calls 5500X spread with sales of the \$80 puts. DHI had buyers last week in the November \$87.50 calls 1000X for \$7.10 and the January \$90 calls bought 1800X with the \$80/\$70 bull put spread. Over 4,900 August \$92.50 calls also remain in open interest from late June. Shares have pulled back to the breakout area from March around \$84 and forming a nice weekly bull wedge under \$92. DHI is holding well above the 200-MA and trend support off the late-2020 lows. A breakout targets a run back at \$100 and then all-time highs. The \$33.25B company trades 7.75X earnings, 1.4X sales, and 15X cash with a 0.87% yield. DHI sold off early today on earnings amid concerns about near-term pressure on margins and output based on commodity/supply chain issues but management confident the constraints will subside and guiding Q4 margins slightly higher Q/Q. DHI has been adapting well to the more challenging environment for builders right now by slowing sales to focus on deliveries more closely aligned with production and putting themselves in a position to ramp back up as the market eases. DHI remains a market leader in some key areas like Texas, Florida and Arizona and the premier name in the entry-level and move-up categories where demand has been elevated. Analysts have an average target for shares of \$100 with a Street High \$117 from BTIG. They were out earlier this week noting that see the majority of short-term issues due to supply not demand and the overall housing market remains very favorable for builders long-term. RBC positive earlier this Spring noting that DHI remains one of the best-positioned builders for today's operating environment based on its affordable product, deep local market scale, aggressive land acquisition, and overall execution. Short interest is 2.83%. Hedge fund ownership fell 12% in Q1. Appaloosa adding a new 1.165M share position.

#### Hawk Vision:



**Hawk's Perspective:** DHI is our preferred name in the homebuilder space given their geographic concentration, strong balance sheet and market share in the key first-time buyers category and the 200-MA gives a nice level to lean against for a swing back above \$93

**Confidence Ranking:** \$\$