



## DR Horton Bulls Active as Shares Rebound Off Key Support

Ticker/Price: DHI (\$59.65)

### Analysis:

**DR Horton (DHI)** with buyers of more than 3,450 May \$60 calls up to \$3.15 and 675 May \$65 calls bought \$1.20/\$1.25 yesterday and still has 785 May \$55 calls in OI. Shares have been strong in 2020 and pulling back over the past week to the rising 20-MA where buyers stepped in aggressively yesterday. A move back above \$62 targets \$68/\$70 range for shares while major support below is around \$55 which aligns with the monthly breakout. The \$21.5B homebuilder trades 10.56X earnings and 1.2X sales with a 1.2% yield and mid-teens growth. DHI is targeting 5% to 7% revenue growth in both 2021 and 2022. DHI is coming off a strong quarter with better margins and cash flow than peers and consistently strong deliveries. They converted 95.2% of their backlog, better than guidance, while their transition to a more asset-light model is advancing quickly. DHI could use some of their cash in 2020 on tuck-in deals or capital return. Analysts have an average target for shares of \$56.50 with 11 buy ratings, 4 hold, and 3 sell. RBC positive on 1-28 with a \$55 PT as the company's position in entry-level and local scale markets will remain tailwinds and may also push price higher given that "affordable" housing supply remains tight. Raymond James upgrading to Outperform on 1-7 and uniquely well-suited to gain market share among entry-level homebuyers this spring. BAML with a \$70 PT and the best positioned homebuilder in their coverage given its size/scale, entry-level focus and Forestar (FOR) optionality. Short interest is 1.9% and down steadily since early 2019. Hedge fund ownership fell 17.5% in Q3. Egerton Capital, Long Pond, Lone Pine Capital, Eminence Capital, and Greenhaven notable owners.

### Hawk Vision:



**Hawk's Perspective:** DHI remains a top tier homebuilder and though been more apt to playing favorite PHM, a nice candle to trade against as the Housing markets remain very strong.

**Confidence Ranking:** \$\$