



FEATURED OPTIONS RADAR REPORT



Bulls Position for Strong Trends to Continue at Remodel Retailer

Ticker/Price: FND (\$119)

Floor and Décor (FND) with more than 700 March \$115 calls bought for over \$1M as January calls adjusted, a large trade for a name that has seen steady bull flow since July but in smaller contract sizes as a lesser traded name. FND also has the 450 November \$15 calls bought on 10/11 for \$400K in open interest, the 550 January \$110 calls from August buys, and 250 March \$135 calls bought on 10/6. FND has also seen 800 March \$125 puts accumulate with some buyer flow. FND has been in a steady uptrend in 2021 with shares +28% YTD and recently dropped more than 10% off new highs retesting a former resistance and now support from May highs. FND remains in a pattern of higher highs and higher lows. FND is a multi-channel specialty retailer of hard surface flooring and related accessories with 133 warehouse-format stores and two small design studios across 31 states. FND customers include general contractors, professional installers and other commercial businesses, Do It Yourself customers and customers who buy the products for professional installation. The combination of category and product breadth, low prices, in-stock inventory in project-ready quantities, proprietary credit offerings, integrated website and app, free design services, free storage options and dedicated customer service positions FND to gain share in the attractive Pro customer segment. Floor & Decor operates in the large, growing and highly fragmented \$13 billion to \$14 billion hard surface flooring market which is part of the larger \$22 billion to \$23 billion U.S. floor coverings market. Key long-term industry trends include increasing spend on home renovations, aging of the existing housing stock, rising level of home ownership, and favorable demographic trends. Over the last decade, hard surface flooring has consistently taken share from carpet as a percentage of the total floor coverings market, increasing from 49% of the market in 2015 to 55% in 2020. FND has a market cap of \$12.75B and trades 41.2X Earnings, 4.17X Sales and 44.3X FCF with revenue growth seen at 37% in 2021 and 20-25% the following three years along with strong EPS/EBITDA growth. FND spoke at a Goldman Retail conference a month ago and management is excited by the level of product innovation they are seeing in higher end categories, as well as the improvements they are making to their existing store base. Existing home sales remain the housing metric that is most directly related to the company's business. FND's customers are generally higher income (average \$100-\$125k per year). FND did a deal in May to acquire Spartan Surfaces as it pushes more into the commercial flooring industry expanding the TAM by \$7B. Analysts have an average target of \$140 on shares with short interest at 2.4% of the float. MSCO raised its target to \$125 on 8/9 and Baird to \$135 on 8/6 seeing upside to market share and emerging growth avenues while supply chain and freight costs remain near-term headwinds. Abdiel has a \$525M stake as 15.2% of its portfolio.

Hawk Vision:



Hawk's Perspective: FND needs to get back above \$122.50 near-term but remains one of the more compelling retail stories out there that has been overlooked by most investors.

Confidence Ranking: \$\$