



FEATURED OPTIONS RADAR REPORT



Large Bull Trades Adjust in Building Material Distributor in Robust Demand Environment

Ticker/Price: GMS (\$50.35)

Analysis:

GMS Inc. (GMS) with some large adjustment trades last week as 2000 October \$55 calls opened for \$590K and 5800 December \$55 calls opened for \$2.75M. GMS still has over 4000 October \$50 calls, 2400 October \$45 calls, and 3850 December \$50 calls in open interest as well with many of the large bullish trades opening in the March-April period. GMS shares have been trending higher all year at +65% YTD and look to have some room up to \$55 near-term. GMS is a distributor of specialty building products including wallboard, suspended ceilings systems, or ceilings, steel framing and other complementary building products with a network of 268 distribution centers across the United States and Canada. GMS looks to expand market share in its core products (wallboard, ceilings and steel framing) and grow complementary product lines (insulation, lumber, ready-mix joint compound, tools, fasteners and various other construction products). Wallboard demand is driven by a balanced mix of both residential and commercial new construction as well as repair and remodeling. GMS has a market cap \$2.14B and trades 10X Earnings, 6.6X EBITDA, and 17.3X FCF with revenues seen rising 18% this year and EBITDA climbing 42%. Analysts have an average target of \$55 and short interest is low at 2% of the float. Stephens upgraded to Overweight on 6/25 with a \$56 target noting early signs of commercial market recovery and strength in wallboard pricing. RBC upgraded to Outperform in June on robust residential demand and pricing continuing through 2022 while commercial recovery may add additional upside. Hedge Fund ownership jumped 15% last quarter.

Hawk Vision:



Hawk's Perspective: GMS is an attractively valued stock with plenty of bullish fundamentals with the robust housing market, and see it continuing higher towards \$60-\$65 this year.

Confidence Ranking: \$\$