



## FEATURED OPTIONS RADAR REPORT



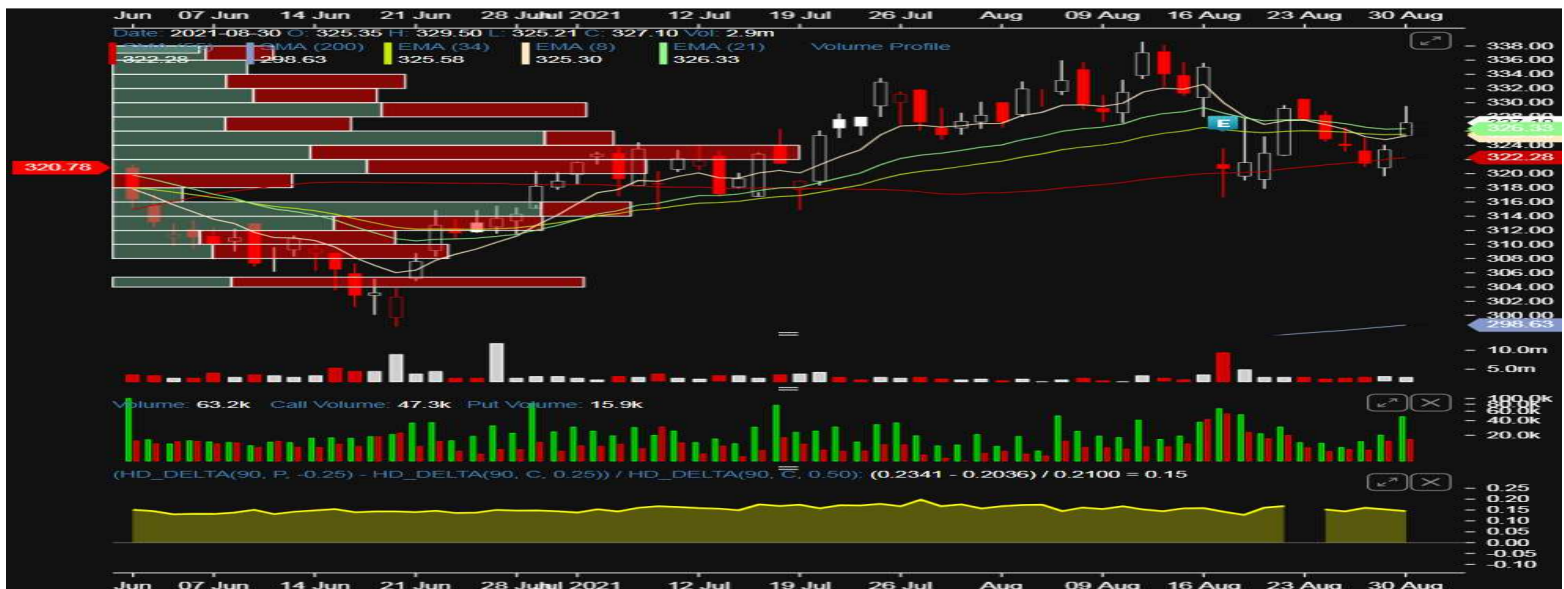
### Strengthening Housing Market Brings Bulls Looking for Upside in Home Improvement Leader

Ticker/Price: HD (\$327.1)

#### Analysis:

**Home Depot (HD)** large trades to start the week as 4000 December \$340 calls were bought for more than \$3.5M, 1000 February \$310 ITM calls bought for \$2.8M, and September \$325 calls saw elevated activity. HD has a block of 10,000 short September \$340 calls in open interest as well. HD shares have bounced strong since a sell-off in June and recently held key volume support and VWAP off those June lows with 21-day moving average and volume resistance near \$330 standing in the way of a break out to new highs. HD is the world's largest home improvement retailer offering customers a wide assortment of building materials, home improvement products, lawn and garden products, décor products, and facilities maintenance, repair and operations products and provide a number of services, including home improvement installation services and tool and equipment rental. HD serves two primary customer groups, consumers (including both DIY and DIFM customers) and professional customers. HD currently has a market cap of \$343B and trades 21.4X Earnings, 15.5X EBITDA, 2.4X Sales and yields a 2% dividend. HD sales are expected to rise 10% in 2022 with EBITDA up 17% before facing tough comps in FY23. The US housing market is currently 20% more valuable than it was two years ago and Home Depot management believes that as home values increase, consumers become more and more likely to reinvest back into their homes, driving demand for the home improvement category. The home improvement space continues to have a constructive backdrop with low inventory of new builds, a low mortgage rate environment and strong consumer spending. HD's monthly comps on a 2-year stack have remained very impressive and it saw strength in big ticket items in Q2. HD management highlighted that Pro backlogs are currently long, have been for a while, and are continuing to grow, which is evidenced by the National Association of Homebuilders Remodeling Index hitting an all-time high during Q2. Analysts have an average target of \$350 with short interest low at 1.1% of the float. Goldman rates shares a Buy despite tough 2H comps and sees margin and supply chain headwinds abating, recently raising its target to \$390. Citi on 8-18 noted the multi-year bull thesis for HD remains intact with a robust demand environment for Pro services and has a \$375 target. Hedge Fund ownership fell 5.75% last quarter.

#### Hawk Vision:



**Hawk's Perspective:** HD is currently in a Neutral mode with weekly MACD negative but like the idea of calendar spreads being short September/October and long December calls allowing for it to grind back to highs.

**Confidence Ranking:** \$\$