



## FEATURED OPTIONS RADAR REPORT



### KB Home Bulls Accumulate Positions into Earnings

Ticker/Price: KBH (\$43.40)

#### Analysis:

**KB Homes (KBH)** on 6/10 saw a flurry of late day call buying with 2000 October \$45 calls for \$700K and 2800 July \$42 calls for \$875K. KBH has been a favorite of put sales with 2000 January \$43 sold to open, 7000 April 2022 \$40 puts sold to open, 2000 January 2023 \$37 puts sold to open, and 1000 January \$40 puts sold to open. KBH still has 5500 January 2022 \$45 calls in open interest from a buyer back in March. KBH shares have pulled back with housing names recently to retest its February breakout and next week there is plenty of housing data and **LEN** reports while KBH will report 6-23. KBH sits just above YTD VPOC and the 200-day moving average is close at \$40.55. KB Home is one of the largest and most recognized homebuilding companies in the U.S. with a variety of new homes designed primarily for first-time and first move-up, as well as second move-up and active adult homebuyers, including attached and detached single-family residential homes, townhomes and condominiums. KBH is geographically diversified with Central markets at 36% the highest contributor. KBH has benefited from positive trends in the build-to-order strategy and is a top player in several top markets. In May KBH reported F2Q orders up 155% through May 21, highlighting the continued momentum in housing along with easier comps. KBH has a market cap of \$4B and trades just 6.7X Earnings, 5.5X EBITDA and 1.48X Book with a 1.35% dividend yield. KBH revenues are seen rising 44% in 2021 and another 14% in 2022. KBH spoke at the JP Morgan Homebuilding Conference in May highlighting the strong backdrop from low inventory in its markets and demand seen staying strong for the foreseeable future. KBH homes offer the highest energy efficiency based on the Home Energy Rating System. KBH also noted the incredibly strong first-time home buyer cohort it is seeing. Analysts have an average target of \$55 with short interest at 4% of the float. Goldman out positive in May raising estimates and has a \$59 target. Wells Fargo started at Overweight in April and a \$55 target seeing a long-tail of demand through the rest of the decade and KBH valuation is very reasonable.

#### Hawk Vision:



**Hawk's Perspective:** KBH does look to be a bargain and Housing has a long period of strength to go, this dip looks very buyable.

**Confidence Ranking:** \$\$