



FEATURED OPTIONS RADAR REPORT



Size Calls Accumulate in Transforming Homebuilder Company

Ticker/Price: LEN (\$108.5)

Analysis:

Lennar (LEN) large trade on 9/1 bought 7000 November \$115 calls to open for more than \$3M and follows a 7/29 buyer of 3000 February \$105 calls for \$3.7M. LEN shares working out of a narrow flag and large cup and handle pattern this week that measures to an upside target of \$125. LEN weekly MACD is looking to move back positive and RSI held the 50 level on a recent dip with the rising 55-day moving average also supportive. LEN is the largest homebuilder in the US as well as an originator of residential and commercial mortgage loans, a provider of title insurance and closing services and a developer of multifamily rental properties. LEN primarily sells homes in communities targeted to first-time, move-up, active adult, and luxury homebuyers. LEN was able to expand margins last quarter despite cost pressures and the recent pullback in lumber prices should be a boost into next quarter with LEN set to report in mid-September. LEN has been expanding into single-family rental and recently created the Upward America Venture, which has secured funding to acquire approximately \$4B worth of communities from LEN in the coming years. LEN is also planning a tax-free spin of ancillary assets that was upsized to \$5B-\$6B. LEN currently has a market cap of \$32.25B and trades 7.9X Earnings, 6.2X EBITDA and 9.9X FCF. LEN estimates see revenues rising 19% in 2021 and 10% in 2022 with EBITDA climbing 64.5% and 4.3% respectively Y/Y. Analysts have an average target of \$117 and short interest is low at 3.5% of the float. LEN has closed higher after reporting earnings 7 of the last 8 reports. Argus out positive in June with a \$115 target noting LEN's advantages to peers with a focus in Texas, Florida and the Carolinas while the spin-off will create a pure-play homebuilder and financial services company. Evercore raised its target to \$160 in June noting the strong environment of robust pricing. JPM noted the LEN transformation is not reflected in shares and has a \$141 target as it shifts to an asset light model and can return more cash to shareholders. Aristotle Capital added to its last stake last quarter, its 6th largest position at \$1.41B.

Hawk Vision:



Hawk's Perspective: LEN looks fantastic from every perspective and think this can continue much higher as a leading homebuilder play.

Confidence Ranking: \$\$