



FEATURED OPTIONS RADAR REPORT



Bulls See Upside in DIY Home Repair Leader

Ticker/Price: MAS (\$59.70)

Analysis:

Masco (MAS) traded more than 13,500 options on 7/30 which is 30X average as October \$60/\$50 bull risk reversals opened 6000X at net debits of \$1.15 to \$1.40 and becomes the only notable open interest in the name. MAS shares pulled back to its 200-day moving average in June and have based for a few weeks now setting up a nice reward/risk versus \$57 while the longer-term chart shows plenty of room to run above \$60. Masco Corporation is a global leader in the design, manufacture and distribution of branded home improvement and building products with key brands such as BEHR paint, DELTA faucets, Kichler outdoor lighting, Liberty hardware and Hot Spring spas. MAS reports results across two segments now after divesting the cabinetry business, Plumbing Products and Decorative Architectural, with the majority of business tied to Repair/Remodel. MAS has been innovative on the product front with 30% of revenues from products introduced in the past three years. MAS has a market cap of \$14.9B and trades 14.85X Earnings, 10.7X EBITDA, 1.96X Sales and 24.3X FCF with a 1.57% dividend yield. MAS revenues are seen rising 14.5% in 2021 with EBITDA growing 11.7%. MAS has dealt with some operational headwinds but management expects to raise prices to exit the year price/cost neutral, is gaining market share via new products, and accelerating trends in plumbing and pro paint. International plumbing sales grew 50% ex-FX in 2Q as Hansgrohe rebounded sharply while Watkins grew 75% and exited the quarter with a record backlog. DIY paint declined double digits in 2Q, while the pro business posted double digit gains, as consumers grow increasingly comfortable allowing contractors into their home. Analysts have an average target of \$70 with short interest at 3.4% of the float. Wells Fargo started shares Overweight with a \$68 target on 7/15 seeing DIY slowdown fears as overblown. JPM cut shares to Underweight on its higher DIY exposure and upcoming tough comps with a lack of upside catalysts. Goldman upgraded to Buy with a \$73 target in June positive on its correlation with pro spending and a strong housing market. Hedge Fund ownership jumped 2.88% last quarter, Fiduciary Mgmt. a concentrated holder as its second largest position.

Hawk Vision:



Hawk's Perspective: MAS is a quality name trading less than 15X Earnings which is rare to find in a bull market at this stage, and do like the reward/risk of shares at these levels.

Confidence Ranking: \$\$