



FEATURED OPTIONS RADAR REPORT



Herman Miller Size Call Buy as Furniture Maker Expands Via M&A, Positioned for Growth

Ticker/Price: MLHR (\$50.70)

Analysis:

Herman Miller (MLHR) with an unusual large trade on 6/7 as 5000 August \$50 calls bought to open at \$3.80 and 1650 of the \$55 calls also traded as call activity reached 45X daily average. MLHR has seen November \$45 short calls 1250X and the \$50 short calls 2500X open as well as 2000 of the \$35 puts bought. MLHR shares have been trending strong since mid-April and now clearing its 2019 highs with \$62.50 the next Fibonacci extension level. MLHR researches, designs, manufactures and distributes interior furnishings for use in various environments including office, healthcare, educational and residential settings. Its products are sold primarily through the following channels: Owned and independent contract furniture dealers, direct customer sales, owned and independent retailers, direct-mail catalogs and the Company's e-commerce platforms. MLHR announced a key M&A deal in April buying peer **Knoll (KNL)** for \$1.8B that broadens its portfolio, drives benefits of scale, and crate cost synergies. MLHR currently has a market cap of \$2.9B and trades 16.5X Earnings, 8.7X EBITDA and 13.7X FCF with a 1.5% dividend yield, an attractively valued stock. MLHR estimates currently see revenues rising 14.5% in 2022 with EBITDA up 4.7%. Analysts have an average target of \$60 and short interest is 6.5% of the float. Barron's was out positive on 5/29 calling MLHR a winner of people returning to the office while home-office furniture demand also continues to soar. Berenberg started shares Buy on 5/11 with a \$62 target citing work-from-home dominance and the Knoll merger will expand its footprint. On 5/10 Craig Hallum started shares Buy with a \$60 target citing its top-tier portfolio of furniture as the American office makes a comeback while the work from home revolution is just getting started.

Hawk Vision:



Hawk's Perspective: MLHR remains cheap on valuation and this **KNL** deal as well as plenty of organic growth opportunities should allow it to continue higher towards \$60.

Confidence Ranking: \$\$