



Bears Position for a Weak Quarter at MoHawk

Ticker/Price: MHK (\$125.50)

Analysis:

MoHawk (MHK) yesterday with 1,500 February \$130 puts opened for \$1.5M ahead of earnings 2-7. MHK does still have 2,150 December 2019 \$120 calls in open interest from a \$6M position opened on 11/2, though down 40% from original purchase price. MHK shares have seen a sharp move lower and forming another potential bear consolidation, a move under \$113 can send shares well below the \$100 level. We continue to see negative reads across residential construction which likely weighs on MHK as well as the impact of tariffs and China trade uncertainty. The \$9.2B Company trades 10.85X Earnings, 0.93X Sales, and 7.1X EBITDA. The current consensus calls for revenue growth to slow to 4% in 2-10 and EPS seen down 5% Y/Y. Analysts have an average target of \$140 on shares and short interest at 7% of the float is up 120% Q/Q near a new five year high. MHK is a name that has seen sizable insider buying in December. RBC recently cut shares to Underperform on competition risk with a \$115 target, also seeing negative headwinds from a mix shift. CSFB cut shares in October after weak Q3 results and a weak Q4 guide, seeing production delays, price/cost headwinds, and weakening demand issues persisting. Hedge Fund ownership was up 4.14% in Q3 filings, new position for First Pacific and new call option position disclosed at Soroban Capital.

Hawk Vision:



Trading Strategy: MHK feels like an obvious candidate as a put play or short into results given the current environment, though the massive insider buys is the one reason to be hesitant, but for a short term move lower, it looks attractive for puts.

Confidence Ranking: \$\$