



## Floor and Décor Calls Unusually Active

**Ticker/Price:** FND (\$32.60)

### Analysis:

**Floor & Decor (FND)** with 330 July \$35 calls opening \$3.75 to \$4 in early trade and rising this morning with more than 1,000X trading on the day, unusual activity for the name. FND also seeing cheaper March \$40 calls open \$0.50 to \$0.70 and has April \$35/\$40 call spreads in open interest 1,450X. FND was a hot retail IPO in late 2017 into 2018 but since has come down hard to below the IPO levels, but has seen \$25 as a supportive level on monthly closes and now looking to clear this \$25/\$34 large base for a measured move to \$43. The \$3.1B home improvement retailer trades 28.9X Earnings, 1.87X Sales and 111X FCF. FND grew revenues 34%, 31.8%, and 23% the last three years and 20-22% growth seen each of the next two years while EPS also expected to reach \$1.40/share in 2020 from \$0.69/share in 2017. FND will next report on 2-21. FND is focused on DIY as 40% of sales and Pro Customer at 60%, Tile its main business at 30% followed by Decorative, Laminate, and Accessories. FND only is at a store count of 83, plenty of room to grow, and generating 16.6% comp growth with 9 straight years of double digit comp growth. It also has a 44.4% EBITDA CAGR 2013-2017. It is benefiting from a market shift to hard surfaces from soft as well as rising home prices, an ageing housing stock, and Millennial household formation. Analysts have an average target of \$35.50 and short interest remains steadily elevated at 18.8% of the float. BAML was out negative last week cutting shares to Underperform expecting comp deceleration and higher costs to pressure margins. FND is likely impacted by tariffs with 45% of sales from Chinese-imports. On 1/18 UBS upgraded shares to Buy with a \$37 target, seeing a re-rate higher as uncertainties are lifted expecting minimal margin disruption. Loop Capital was a bit concerned the company did not offer guidance at the ICR Conference. Hedge Fund ownership jumped 11% in Q3 filings.

### Hawk Vision:



**Trading Strategy:** FND remains one of the most compelling growth stories in Retail hardline despite some headwinds. With the market rolling over want to see some relative price strength continue, alerting above recent highs.

**Confidence Ranking:** \$\$