



## FEATURED OPTIONS RADAR REPORT



### Bullish Open Interest in Homebuilder Executing on New Land Strategy

Ticker/Price: PHM (\$47.50)

#### Analysis:

**Pulte (PHM)** with 900 November \$40 calls bought on 9/23 for \$8.80, adjusting some October ITM calls and follows a bull spread on 9/15 with 3,000 April \$50 calls bought for \$3.40 along with 3,000 April \$40/\$30 bull put spreads opening at \$1.50 credit. The January \$55/\$80 call spread from 6/3 remains in open interest 3000X as well. Shares have pulled back to the top of value from the March 2020 lows and forming a small base under \$48.50. PHM is also near the 38.2% Fibonacci of the run from the March lows. The \$12.3B company trades 5.25X earnings, 1X sales, and 10.2X FCF with a 1.2% yield. The company is coming off of a mixed quarter where demand remained strong but cost headwinds persisted and they restricted some sales to better align their inventory and development timeline. The company laid out strategies earlier this year to better work through some of these transitory issues. PHM has been focusing on land acquisition and development in 2021 as they look to lay the groundwork for a decade-long push into more affordable single-family housing. In Q2, they noted that 53% of their land was auctioned, near all-time highs. PHM also continues to invest in their off-site manufacturing strategy which will help drive down costs and address long-term labor challenges that will impact homebuilding momentum. They continue to see strong long-term tailwinds from the secular shift away from apartment living and into single-family housing. Analysts have an average target for shares of \$60 with a Street High \$72. BTIG positive on 9/9 on the long-term outlook but lowering their estimates as they think the near-term will continue to see labor and supply pressures. Hedge fund ownership fell 5%. Appaloosa a buyer of 1.5M shares. Shares are back near a spot where an EVP bought \$210K in stock in 2020 at \$41.50. Short interest is 2.5%.

#### Hawk Vision:



**Hawk's Perspective:** PHM could be a nice tradeable name above \$49 with the gap above and small base forming recently but longer-term still prefer LEN in the group

**Confidence Ranking:** \$\$