



FEATURED OPTIONS RADAR REPORT



Call Buyers Active in Small-Cap Homebuilder Undergoing Transformative Integration

Ticker/Price: TMHC (\$32.95)

Analysis:

Taylor Morrison Homes (TMHC) buyer of 2,500 April \$30 calls today for \$3.50 and also seeing 1225 July \$35 calls bought for \$2.25 to open, unusual volume in the small-cap. Shares pulled back to a key volume node from mid-2021 recently and putting in a strong reversal back above its key moving averages this week including an 8.5% move today. TMHC is clearing a big volume shelf above \$31 and through the recent highs has room to run to \$42. The \$3.5B company trades 3.5X earnings, 0.5X sales, and 9.85X FCF with mid-teens growth. TMHC designs and builds single-family and multi-family housing in the US with a focus on Arizona, Colorado, and Florida, hot destinations with the bigger secular migration trends. TMHC is coming off a strong quarter with 330 bps of margin expansion and a nearly 10% backlog growth while demand is being supported by move-up buyers and not first-time buyers which is helping drive a higher average closing price, up 23%. TMHC is nearing a major inflection point on the integration of William Lyon Homes and sees 2022 and 2023 as big years for capturing the advantages of their new scale and portfolio diversity given the underlying backdrop for housing. They're also streamlining operational processes to further enhance margins, drive profitability and time-to-close despite the tougher supply environment as they cut back their option book by 30% and introduce new design standards by mid-year. Analysts have an average target for shares of \$39 with a Street High \$45. B Riley with a \$40 PT and remains positive on the name noting that housing demand will remain positive given the historically low housing inventory and TMHC has several levers they can use to offset rising rates in the near-to-intermediate term. The firm thinks 2022 will be a solid year, too, with higher closings, selling prices, orders and selling communities. Short interest is 4%. Hedge fund ownership fell 4% last quarter. Lakewood Capital, Patient Capital, and Artemis Investment notable buyers.

Hawk Vision:



Hawk's Perspective: TMHC has run a lot recently and would look for it settle above this \$31 range but like the overall story and they should continue to see strong margins as their focus shifts into higher-price brackets

Confidence Ranking: \$\$