



## FEATURED OPTIONS RADAR REPORT



### Large Bull Spread in Beneficiary of Strong Home Expenditures

Ticker/Price: TPX (\$47.2)

#### Analysis:

**Tempur Pedic (TPX)** with a large bullish trade on 9/10 as 5000 January 2023 \$35 puts were sold \$3 to buy the \$55/\$65 call spreads 5000X for \$2.70, a net credit of \$0.30 so keeping in mind the trade can be successful even with shares lower from current prices but a nice structure in a leading fundamentals play. TPX also has more than 6000 September \$45 calls in open interest from buyers in mid-June, more than 10,000 January \$40 calls bought in OI, and a recent buyer of 2000 December \$45 calls. TPX broke out of a long-range in late July and have grinded to new highs since with impressive relative strength. Shares are extended currently and a test of the 8-week moving average near \$44 may be in order. TPX is a global leader in the design, manufacture and distribution of bedding products. Tempur Sealy has strong brands across a portfolio of bedding products serving a wide range of price points with key brands such as Tempur-Pedic, Sealy featuring Posturepedic Technology and Stearns & Foster. Its products are sold across wholesale and direct channels through brick and mortar retail stores and e-commerce platforms. The global bedding industry is estimated at \$50B and the US market is concentrated growing mid-single digits annually while International markets are highly fragmented. TPX has seen 117% growth in DTC sales since Q1 2019. TPX has noted a shift in consumer spending patterns back towards home and furnishing. TPX is focused on accelerating market share gains in the \$30B international retail bedding market with Asia a key area of growth. TPX currently has a market cap of \$9.27B and trades 13X Earnings, 2.1X Sales and 14.15X FCF with revenues seen growing 36% in 2021 and 10% in 2022 while EPS seen growing 69% and 12.7% respectively. Analysts have an average target of \$53 and short interest is 3.7% of the float. Wedbush raised its target to \$53 in July seeing price increases driving upside despite some supply constraints this year. Hedge Fund ownership fell 3.3% last quarter in filings.

#### Hawk Vision:



**Hawk's Perspective:** TPX has been a favorite for many years and continues to perform well while trading at a cheap multiple, in need of a near-term pullback, but continue to favor this name as one to accumulate on dips.

**Confidence Ranking:** \$\$