



FEATURED OPTIONS RADAR REPORT



Unusual Bullish Spread in Lumber Leader

Ticker/Price: WFG (\$70)

Analysis:

West Fraser Timber (WFG) unusual large trade on 8/9 with 2000 November \$70/\$65 bull risk reversals opened for a \$2.50 debit. WFG also has 1970 August \$75 calls in open interest from unusual buys on 7/21 that are not worth too much currently. WFG shares have pulled back since peaking in May and basing nicely above its rising 200-day moving average and a move above \$72.50 would be a key breakout though VWAP off the highs near \$73.70 another level of note before a move back to \$80+. WFG is a diversified wood products company, produces and sells lumber, panels, and pulp and papers in western Canada and the southern United States. It offers spruce-pine-fir, Douglas Fir-Larch, Hem-Fir tree, and southern yellow pine lumber; treated wood products; and newsprint, wood chips, and other residuals and energy products, as well as bioproducts. WFG shares have been correlated with Lumber prices and it sees strength in Housing Starts, Repair/Remodel, and the Import/Export dynamics positive for the demand of its products while supply remains light due to capacity constraints. WFG is focused on the integration of its Norbord deal and ramping up Dudley, Chambord and Inverness. WFG is the leading Lumber and OSB company in North America. The \$10.45B company is trading 1.4X EBITDA, 6.2X Earnings and is flush with cash. WFG revenues jumped 18.7% in 2020 with EBITDA up 370% and for 2021 sees growth of 22% and 331% respectively, though its low multiple is anticipation of this being a peak environment. Analysts have an average target of \$110 and short interest is low at 3% of the float. WFG is mainly covered by Analysts at Canadian firms.

Hawk Vision:



Hawk's Perspective: WFG on watch for a move above \$72.50 and I think the Housing/Lumber story still has plenty of fundamental reasons to move higher, options are thin, but a good way to play the theme via stock.

Confidence Ranking: \$\$