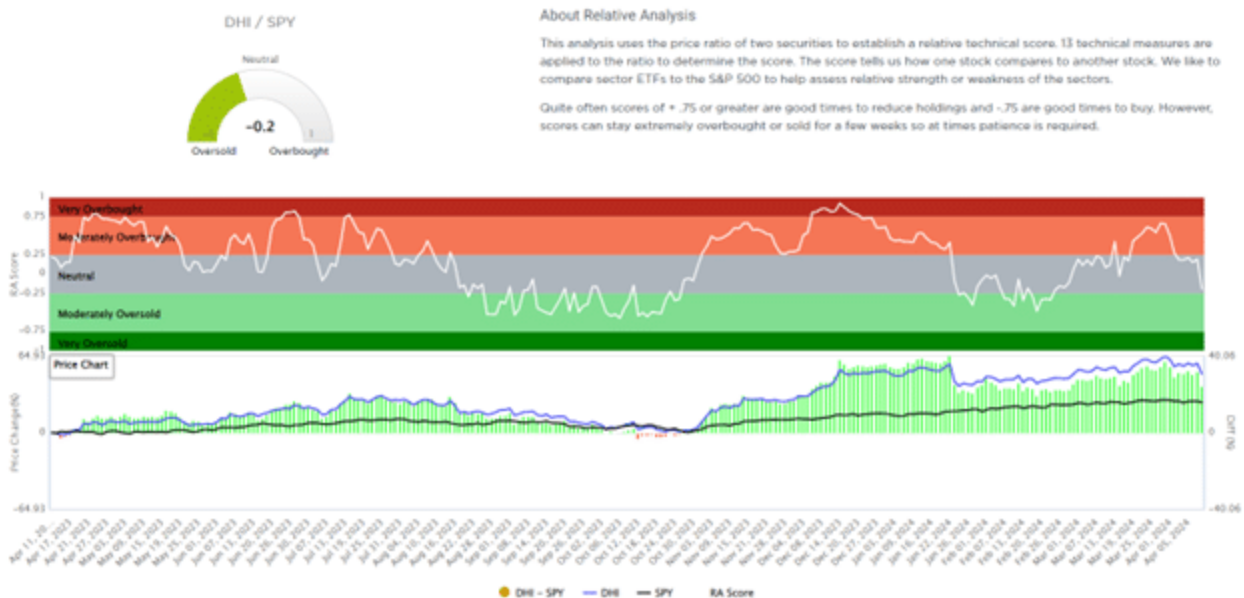


Friday Favorites- D.R. Horton (DHI)

D.R. Horton (DHI)

D.R. Horton (DHI) is a homebuilding company with a presence in 118 markets across 33 states. It also provides mortgage financing services and other related services.

The homebuilding industry has substantially outperformed the S&P 500 over the past year. YTD, however, the homebuilding industry has underperformed the index by roughly 10%. As shown below in the SimpleVisor relative analysis tool, DHI is in neutral territory and trending towards oversold versus the index.



The Fed's interest rate hikes following more than a decade of low rates have proven to be a disincentive for existing home sales. Homeowners are reluctant to abandon their rock-bottom mortgage rate to take on a new, higher-rate mortgage. The resulting lack of inventory has worked to the benefit of new home builders.

We do not own a position in homebuilders in either our Equity or Sector rotation models.

Valuations

DHI has a P/E of 10.66, near its low end of the pre-covid era. The bear market in 2022, combined with booming EPS, culminated in a very low P/E of 4 heading into the fourth quarter of that year. Since then, declining EPS combined with an increase in the stock price has resulted in multiple expansion.

D.R. HORTON (DHI): PE Price to Earnings Ratio Chart



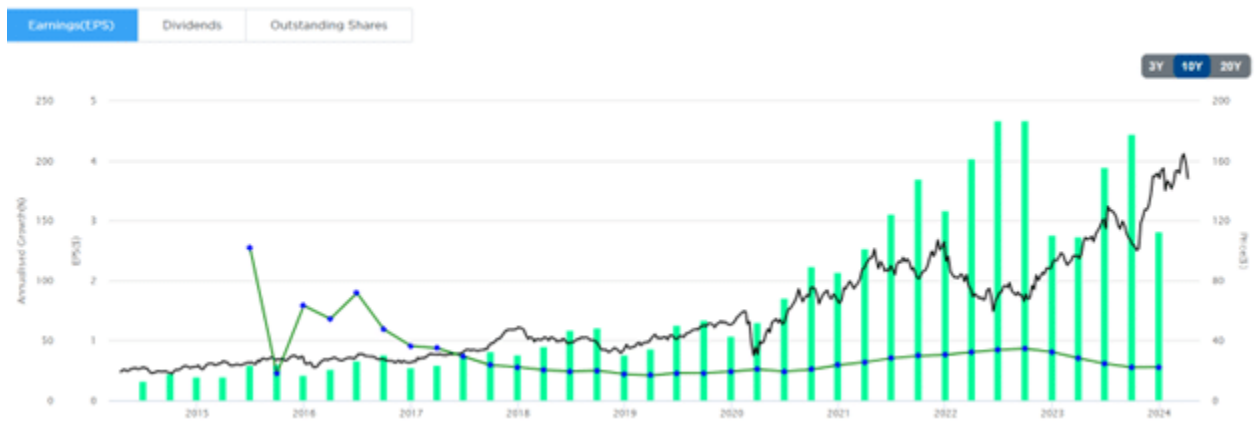
DHI has a moderate PEG ratio of 1.94 and a Debt-to-Equity ratio of 23.3%, which aligns with other major competitors.

Fundamental

As shown in the chart below, DHI has relatively fast revenue growth. Over the past 5 years, it has increased by 17% annually. Growth has slowed from where it was before the pandemic, but DHI is still growing revenue at a decent clip.



The following two graphs show DHI's EPS growth and shares outstanding, respectively. EPS is growing at a significantly faster rate (27.9%) than revenue, primarily due to a combination of rising margins and share repurchases. As shown below, share repurchases have been accelerating in recent years.





Technical

The weekly chart below shows that DHI has been in a long-term uptrend. The 200-week moving average has provided key support for the price, while more recently, the stock caught support at the 50-week moving average. The trading channel highlighted in red has provided reliable resistance and support over the past year. A break of this trend could result in a test of the 50-week moving average approximately 13% below the current price.



Disclosure

This report is not a recommendation to buy or sell the named securities. We intend to elicit ideas about stocks meeting specific criteria and investment themes. Please read our [disclosures](#) carefully and do your own research before investing.