



UNH, ISRG

**United Health (UNH)** will announce earnings 10/14 before the open and the Street consensus at \$3.09 EPS and \$63.9B in Revenues (+5.9%) and Q4 seen at \$2.63/\$65.3B. UNH shares have closed higher three of its last four reports and a six quarter average max move just above 5%. The \$306B managed care leader trades 17.7X Earnings, 4.9X Book and 19.1X FCF with a 1.5% dividend yield. Analysts have an average target of \$345 and short interest is low and declining at 0.5% of the float. Leerink raised its target to \$370 in July positive on the fundamentals. Analysts have been quiet on the name the last few months. Hedge Fund ownership rose 1.3% in Q2 filings. On the chart UNH shares broke out to a new high last week clearing a long range that measures to a \$370 target. The \$340 level is a Fibonacci extension target. Support levels include \$320, \$314 and \$301. UNH options are pricing in a 2.7% earnings move. UNH recently with 1200 March \$270 puts sold to open showing confidence while November \$330 calls were sold in a buy-write 1250X. A trade on 6/29 sold December \$320 calls to buy the \$280/\$240 put spreads 2000X and remains in OI.

Trade to Consider: Sell the **UNH** October \$335/\$340 Call Spread and \$310/\$305 Put Spread for \$1.50 Credit (Iron Condor)



**Intuitive Surgical (ISRG)** will announce results 10/15 after the close with the Street expecting \$2.03 EPS and \$967.5M in Revenues (-14.2%) and Q4 seen at \$2.96/\$1.22B. ISRG shares have closed higher on results three of the last four reports with a six quarter average max move of 5%. The \$84.6B leader in robotic surgery trades 56X Earnings, 19.4X Sales and 77.8X FCF. Forecasts see ISRG with 20% revenue growth and 50% EPS growth in 2021 as it recovers from COVID shutting down procedure growth. ISRG has a debt-free balance sheet and a strong cash position. It is a ROIC leader with 20%+ ROIC each of the last five years while adjusted EBITDA margins have trended a bit lower. ISRG also is a strong FCF name with impressive FCF margins and in 2019 72% of revenues were recurring. ISRG placed 1,100 da Vinci systems in 2019 and performed 1.2M procedures with continued adoption in general surgery and developing core European and Asian markets. ISRG is focusing on advancing new platforms such as da Vinci SP System, Ion and advanced instrumentation. ISRG placed 8 Ion systems last quarter with an installed base of 18 systems and sees a major opportunity for lung cancer diagnosis. Analysts have an average target of \$685 and short interest is low at 1.8% of the float. Argus started shares Buy on 9/28 with a \$775 target positive on the industry and ISRG's leadership position and financial strength. Deutsche Bank on 9/22 cautious on moderating procedure volumes in July and August following a strong June recovery. Wolfe Research at Outperform with a \$789 target on 9/11 noting ISRG dominates soft tissue surgical robotics and penetration is less than 4% for one of the largest addressable markets in Med-Tech. Hedge Fund ownership rose 2% in Q2 filings, Edgewood a top holder added to its position as did Jackson Square and Sustainable Growth. On the chart ISRG put in a strong candle at key trend support and the 21-week moving average in September and now back near highs. The \$700 and \$690 levels are seen as support while \$800 is the measured move target on a range breakout. ISRG options are pricing in a 3.6% earnings move. ISRG has 1000 January 2022 \$640 calls bought to open for over \$6.6M in June in open interest, and also 1000 January 2021 \$740 calls bought in August for \$5.5M.

Trade to Consider: Long the **ISRG** October \$750/\$770 Call Spread at \$5 Debit



## **Disclaimer:**

These trade ideas are to be self-managed as there will be no follow-up, and each user must take full responsibility of the trade, and only take action on trades that fit his/her risk profile and are comfortable trading.

## **Not Investment Advice or Recommendation**

*Any descriptions "to buy", "to sell", "long", "short" or any other trade related terminology should not be seen as a recommendation. The Author may or may not take positions in any of the names mentioned, and is not obligated to disclose positions, nor position sizes.*

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