



Centene Calls Accumulate on Consolidation Potential

Ticker/Price: CNC (\$46.7)

Analysis:

Centene (CNC) bullish action this morning with 1000 October \$45 calls bought \$2.50 to \$2.60 and 1000 December \$45 calls bought \$4.10 offer, and follows the December \$47.5/\$42.5 bull risk reversal 2,500X5,000 yesterday and 2,500 December \$47.5 calls opened the prior day. CNC has seen accumulation in upside calls across multiple months and still has 12,500 December \$47.50 short puts in OI. Shares have pulled back and based for a few weeks at the rising 233 week EMA and looking to rebound. The \$19B managed care Co. trades 9.45X Earnings, 12.7X FCF and involved in M&A with a merger with WellCare (WCG), though rumors persist that Humana (HUM) may look to buy CNC and break up that deal. Hedge funds Corvex Management LP and Sachem Head Capital Management LP have built stakes in U.S. health insurer Centene Corp and are exploring challenging its planned \$17.3 billion acquisition of WellCare Health. Analysts have an average target of \$72 and short interest has risen to 18.5% of the float, though likely M&A arbitrage related. Viking Global also added to its large position in Q2 and Third Point took a new stake, hedge fund ownership up 44%. CNC will host an Investor Day on 12-13 and next reports 10-22. Deutsche Bank started coverage at Buy with a \$62 target earlier this month seeing it well positioned to grow market share organically and through the WCG acquisition, but also believes it is a M&A target itself.

Hawk Vision:



Hawk's Perspective: CNC looks interesting versus recent lows and above this 33 EMA would solidify the base breakout, an intriguing event name with a lot of hedge fund interest.

Confidence Ranking: \$\$