



## E-Health Bulls Position for Recovery

Ticker/Price: EHTH (\$54.50)

### Analysis:

**eHealth (EHTH)** with more than 865 February \$60 calls opening on the morning up to \$7.50 and spot where 225 bought yesterday to open. EHTH had buyers of 250 May \$70 calls last week while the November \$65 calls also with buyers on 10-3 and now over 1000X. Shares are off by around 50% from the August highs on fears of Medicare-for-All and back at the lower value of the February-to-May range from earlier this year. Shares are also just above the 61.8% retracement of the run from the 2018 lows. The \$1.25B company trades 22.8X earnings, 4X sales, and 10.8X cash. EHTH operates a private health insurance exchange for individuals and small businesses with exposure to Medicare as well. EHTH has been raising their outlook all year long and sees mid-teens EPS growth and 22% revenue growth both FY20 and FY21. The CEO was positive at Cantor's HC conference in early October noting that they've expanded agent count and ADP prep to better prepare for the new enrollment period which they expect to be strong. They also see no impact to commissions from lower MA premiums, a potential overhang. Analysts have an average target for shares of \$119. Raymond James starting at Outperform on 10-14 with a \$90 PT. They note that while the prospect of a Democrat administration may "bureaucratize" the MA market, EHTH remains a "pure play in the ongoing structural shift within the Medicare market" where demand continues to increase. RBC out positive on 10-14 noting that churn concerns are overdone and thinks the 10-24 earnings report could include an update on performance to date for the 2020 annual enrollment period that starts on Oct. 15, which he thinks could lead to a turn in the stock. Short interest is 15.8% and up sharply since August when it was 7.5%. Hedge fund ownership fell 14.5% in Q2. PAR Capital remains a top holder. EHTH has seen a number of insider buys since late August including over \$200k from a director around \$103-\$106 and smaller buys at \$82. In February, the CFO bought \$110k in stock at \$55.36, right at current levels.

### Hawk Vision:



**Hawk's Perspective:** EHTH is an impressive growth story but with the rising short interest and potential ongoing overhang of a regime change, feels best to avoid.

**Confidence Ranking:** \$\$