



## Bullish Positioning in Cerner as Shares Near 200 MA Support

Ticker/Price: CERN (\$66.50)

### Analysis:

**Cerner (CERN)** with 2000 March \$70/\$60 bull risk reversals opening for \$0.95 debit today, also seeing Oct. \$70 short puts roll to November 675X. CERN had 5,000 November \$70 calls bought last week. Shares have pulled back right to the 200-MA after a strong rally earlier this year. A move back above the 20-MA and key downtrends at \$68/\$69 has room back higher to \$75 and key resistance of a multi-year bull flag. The \$20.17B company trades 20.6X earnings, 3.75X sales, and 21.7X cash with a 1.1% yield. CERN is entering a multi-year cycle of EPS, margin and revenue growth after a year of reinvestment and sees 18% EPS growth next year and 6-7% across the topline. CERN is a leading provider of IT services for the healthcare field through their Millennium framework which connects practitioners with a patients EHR. They have key contracts across hospital networks, medical centers, the DOD and VA. CERN announced a collaboration with AWS in July which will help accelerate their AI/machine learning and other next-gen efforts on the cloud side. Analysts have an average target for shares of \$75. Wells Fargo out on 10-9 noting that the AWS deal looks transformative for CERN. Argus upgrading to Buy in August with a \$80 PT. The firm is positive on management's more shareholder-friendly stance with higher buybacks and a new dividend under activist pressure. Keybank thinks the company still has balance sheet flexibility to do a deal, if they wish to pursue that path. Short interest is 3.3% and down near 10-year lows. Hedge Fund ownership fell 12% in Q2 although Samlyn Capital a new position. CERN had some notable insider buys earlier this year back current levels with a director buying \$608k in stock at \$67.57 while another bought \$500k in stock at \$65.76.

### Hawk Vision:



**Hawk's Perspective:** CERN has pulled back quite a bit but also an orderly move and to the rising 200 MA, and the value is becoming more attractive with that risk reversal defining levels of interest.

Confidence Ranking: \$\$