



Medtronic Calls Adjust into Robotics Launch, New CEO

Ticker/Price: MDT \$107.80

Analysis:

Medtronic (MDT) over 1,175 June \$105 calls opening for \$8.45/\$8.50 today as some January \$100 calls adjust out into strength. Today's action follows buyers in the December 6th (W) \$111 calls and over 3000 December 13th (W) \$109 calls last week as well as buyers in the Jan. 2021 \$97.50 calls around \$15 on 10-29. MDT reports earnings next week, 11-19, and shares with a strong history higher each of the last six and nine of the last twelve with an average move of 2.75%.

Shares are coiled in a multi-month range under \$111 with a breakout targeting \$120 and MACD curling higher today, bull cross after pulling back near zero. The \$143.5B company trades 17.8X earnings, 4.7X sales, and 13.4X cash with a 2% yield. MDT raised estimates in August behind strength in their MITG business and RTG business, the later seeing double-digit growth in neurosurgery. They now see 8% annual EPS growth with sales up 5%. MDT unveiled their long-awaited HUGO robotic surgery platform in September that is expected to launch in March. They're also planning to file for CE Mark before FDA submissions. MDT hopes to gain market share in the large and expanding robotics field. Analysts have an average target for shares of \$115. JP Morgan positive in September with a number of catalysts over the next year that could drive multiple expansion. BMO with a \$118 PT seeing further benefits from cost controls and disciplined spending into 2020 as well as new pipeline products that should help it mitigate tough comps. Short interest is 0.7%. Hedge fund ownership fell 3.25% in Q2. Longview Partners, Pental Group, and Eagle Asset Management notable buyers.

Hawk Vision:



Hawk's Perspective: MDT has earnings next week and a solid history, although facing some tough comps. It remains well-positioned into 2020 with their robotics launch and CEO transition in April that'll take focus.

Confidence Ranking: \$\$