



Nuance Calls Bought into Earnings Gap Re-Test

Ticker/Price: NUAN (\$17.45)

Analysis:

Nuance (NUAN) with early buyers of 1,000 April \$18 calls for \$1.15 and now volumes running over 3,000X. NUAN has seen some mixed flows lately but still has over 16,500 January \$20 calls in OI from buyers. Shares have rallied since October and now back near the high-end of a multi-year range around \$18 with a breakout targeting \$22. The \$4.87B company trades 19X earnings, 2.67X sales, and 13.65X FCF with high-single digit EPS growth. NUAN will host an Analyst Day on 12-10 where they'll likely give more clarity on their investment strategy and outlook after the October spinoff of their auto business. The deal follows a sale of their Imaging business to Kofax and longer-term focus on a more simplified NUAN that can focus on high-growth areas like Healthcare. On 9-13, they announced a revamped pediatric solutions product line. They're coming off a strong quarter with improvement in margins across all of their business segments. Short interest is 3.3% and flat over the last three years. Hedge fund ownership rose 42% in Q3. Baupost adding a new 9.5M share position while Glenview adding another 2M and now with 9M shares. Analysts have an average target for shares of \$18, although limited coverage.

Hawk Vision:



Hawk's Perspective: NUAN has underwent a lot of changes in 2019 and this Analyst Day could spark some renewed enthusiasm in the name and calls are priced pretty cheap to play for a move to \$20.

Confidence Ranking: \$\$