



CIGNA Bulls Expect Recovery in 6 Months

Ticker/Price: CI (\$171)

Analysis:

Cigna (CI) with another 1,475 October \$210 calls bought today from \$11 up to \$12.80 and looking to add to 1,000 bought recently. CI has seen a lot of near-term put buying with concerns over Bernie Sanders and Elizabeth Warren and general anxiety over Medicare for All, but those headwinds abating recently. Longer-term bull flow remains in open interest including over 5,000 January \$170 calls and 6,675 January \$175 calls from last year. Shares are also below an area where a director, Eric Foss, bought \$2M in stock in December at \$195. CI shares are right back around the 61.8% Fibonacci of the rally in late 2019 while also right at the VWAP from the 2019 lows. A move back above \$180/\$185 has room back to the 1-year value area high at \$195 and then \$205 which was a VPOC from January. The \$71.6B managed care company trades 9X earnings, 0.47X sales, and 8.5X FCF, one of the better balance sheets in the space with a lot of cash and optionality going forward. They see mid-teens EPS growth this year and growing in FY23 and recently taking revenue guidance up seeing 6% annual in each of the next two. CI seems to have finally turned the corner with the Express Scripts acquisition with near 200M customers while retaining a number of major large employer contracts that were once considered vulnerable. Analysts have an average target for shares of \$245. Deutsche Bank positive on 2-18 while BMO raising their PT to \$252 on 2-10 noting the company has at least \$7B in deployable capital to accelerate growth. Sun Trust with a \$280 PT as they think CI will benefit from attractive medical and drug cost trends. Short interest is 1.2%. Hedge fund ownership rose 2.5% in Q4 with buys from Viking Global, Farallon Capital, and Orbimed. In addition to the buy noted above, CI has also seen insiders active in early 2019 at \$155 and \$163, the former a \$5M purchase from the CEO.

Hawk Vision:



Hawk's Perspective: CI is back to the middle of a multi-year range and always been a preferred managed care name on fundamentals, just need to wait for better market stabilization before taking action.

Confidence Ranking: \$\$