



Cerner Bulls See Support Holding

Ticker/Price: CERN (\$70.30)

Analysis:

Cerner (CERN) on 3/9 with 4,000 April \$65 puts sold to open at \$1.90 and 3,000 of the April \$67.5 puts sold to open for \$3 as March short puts adjusted. CERN also has 2500 March \$70 calls bought in open interest, 1500 June \$75/\$62.5 bull risk reversals, and 2000 June \$65 puts sold to open. CERN has held up fairly well, one of the few names not taking out February lows and sits near the 200 day MA, also at channel up support and a major volume node with its retest of the 2019 base breakout. In January Google announced a \$250M deal with Cerner for health data. The \$21.7B provider of healthcare technology solutions such as electronic medical records trades 19.7X Earnings, 3.8X Sales and 27.6X FCF with a 1% dividend yield. Forecasts see revenues growing 3.2% in 2020 and 5.1% in 2021 with EPS growth of 17.5% and 13.5% respectively. 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. CERN is on the front lines of digitalization in healthcare through its cloud platform. Last April it announced an agreement with Starboard and is targeting operating margin expansion and buybacks. Analysts have an average target of \$79 and short interest at 3.3% of the float has been declining. CERN is scheduled to appear at HIMSS 2020 on 3/10. On 2/5 RW Baird raised its target to \$85 after solid bookings and updating growth targets above expectations. Piper with a raised \$82 target notes the skeptics but sees CERN's restructuring and rationalization efforts as productive and showing progress. UBS started shares Buy in November with an \$84 target as attractive risk/reward. Hedge Fund ownership fell 3.5% in Q4 filings, Starboard, Generation Investment and Samlyn Capital adding to positions.

Hawk Vision:



Hawk's Perspective: CERN is one of the few healthy charts remaining, and above \$74 would trigger a trend breakout.

Confidence Ranking: \$\$