Unusual Call Buy in Interesting Investment Firm Cannae

Ticker/Price: CNNE ($32.35)

Analysis:

Cannae Holding (CNNE) with an unusual trade on 3/9 as 2000 April $35 calls opened for $1.75, a name with very little open interest but was off to a very strong start to 2020 before the market sell-off. CNNE shares have pulled back to the rising 200 day moving average and also retesting the big November 2019 flag breakout, and sit just above a 50% retracement level at $30.30. The $2.68B investment firm primarily invests in restaurants, technology related health services and financial services. Insiders were active buyers of the stock in December at $33 on a share offering. CNNE is run by Bill Foley who has long-term experience at both Fidelity National (FNF) and Black Knight (BKFS). He's also the current owner of the Las Vegas Golden Knights. Their two largest holdings are publicly-traded Ceridian (CDAY) and Dun & Bradstreet which they intend to take public again. In restaurants, they have a minority stake in American Blue Ribbon which operates casual dining franchises under the banners of Village Inn, Bakers Square, and O'Charleys. In healthcare, they are a minority holder in T-System, an IT Services company which focuses on doctor/patient communication in hospitals and urgent care clinics. Other names include firearms maker Colt, a DTC wine services company WineDirect, and a merchant bank Triple Tree. CNNE is trading 1.63X Book and 5X Cash. CNNE has generated a 20% compounded IRR since inception in 2014 and sees significant value creation opportunities within its existing portfolio and potential new investments. Analysts have an average target of $48 and short interest is low at 1.1% of the float. CNNE does not see a lot of analyst coverage, Stephens out in November with a $45 target after the CEO transition. Hedge Fund ownership rose modestly in Q4 filings, a new position from Third Point.

Hawk Vision:

Hawk's Perspective: CNNE is a very intriguing name of interest and think shares have become very attractive back at this level.

Confidence Ranking: $$