



Cognizant Tech Calls Bought with Shares basing

Ticker/Price: CTSH (\$50.25)

Analysis:

Cognizant Tech (CTSH) with buyers active today for 775 June \$50 calls up to \$3.80 to open and follows buyers recently in the April 24th (W) \$50 calls, April \$50 calls, and October \$52.50 calls. On 3/11, the May \$52.50 puts were sold to open over 865X as well. CTSH has seen some OTM January put buys as well and August call sales up at the \$60 and \$70 strike, but likely writing against stock. Shares are right at resistance of a multi-week base today above \$50.50 with a low-volume gap above back to \$59. Longer-term, shares pulled back right to a key breakout spot from 2013 as well as big volume shelf around \$40. The \$26.76B company trades 11X FY20 earnings and 1.6X sales with a Current Ratio of 2.6. CTSH has little-to-no debt with over \$3.3B in cash and a greater than 6% FCF yield. CTSH won't be immune to the near-term disruptions in tech spending but likely a long-term winner as COVID-19 will force many companies to focus on IT modernization and more cost-effective digital strategies. CTSH focuses on big data, AI, analytics and more and key verticals like financial services, healthcare, and logistics all will need long-term improvements. Analysts have an average target for shares of \$65. MSCO upgrading to Neutral on 3-30 seeing headwinds from a spending slowdown priced into shares. The firm also notes that CTSH – and their new CEO -- can more easily find attractive deal opportunities in this environment to help boost their long-term aspirations whereas they may have had to over-pay prior. Short interest is 2.2%. Hedge fund ownership rose 2.5% in Q4. Altrinsic Global a buyer of shares and now a 4.8% weight position. The last notable insider buy was back in May 2019 when the CEO bought \$1.16M in stock at \$61.09, about 20% above today's price.

Hawk Vision:



Hawk's Perspective: CTSH is basing nicely and one of the names that screened as solid fundamentally. Shares have a nice reward/risk long-term here.

Confidence Ranking: \$\$