



## E-Health Bull Positions for Upside Move in July

**Ticker/Price:** EHTH (\$109.7)

### Analysis:

**E-Health (EHTH)** showing strength today back above Friday's range and follows late-day buyers of 1,300 July \$110 calls on 6/12 for \$7.60 to \$8, same spot where 500 were bought on 6/11. EHTH has some Aug. call spreads in OI as well, both the \$120/\$130 and \$125/\$135 lines. EHTH shares are consolidating in a small base just above the 200-day MA and multi-week bull wedge setting up under \$125. A move higher targets a continuation of the long-term trend above \$140 with long-term measured target of \$180. The \$2.75B company trades 22X earnings, 5X sales, and 12.6X cash with around \$265M on the balance sheet and no debt. EHTH expects to be proactive with their capital deployment given the current environment funding expansion of their telesales capabilities and investing in their platform as they look to increase retention and boost online engagement in a COVID-19 world. EHTH is the largest private health insurance market in the US with a focus on e-commerce and online which gives them ample opportunity for margin growth vs peers. EHTH is closely tied to growth in Medicare Advantage with long-term tailwinds from the growing Baby Boomer population that is set to enroll in the next 5-10 years and coming off a strong quarter with 59% MA member growth and 75% growth in Medicare-specific revenues. EHTH will give a long-term outlook update in July, a potential catalyst. Short interest is 8.4% and down from 21.6% in November. Muddy Waters a vocal short and out on 6-3 again questioning their revenue collection methodology. Hedge fund ownership fell 11.5% in Q1. Analysts have an average target for shares of \$169. Raymond James out defending their accounting on 5-14 noting that EHTH has adopted more conservative accounting practices around ASC 606 assumptions than some of its peers. Craig Hallum a \$200 PT noting that the recent add of another special enrollment period in Q2 by CMS is a huge win for the company and expects the SEP will add a solid number of net new customers in the quarter and will also increase churn.

### Hawk Vision:



**Hawk's Perspective:** EHTH at a pivotal level holding above its 200 MA and weak relative to growth peers a concern, want to see 8/21 MA crossover to alleviate that worry.

**Confidence Ranking:** \$\$