



HCA Healthcare Bullish Spread Sees Improving Trends with States Reopening

Ticker/Price: HCA (\$112)

Analysis:

HCA Health (HCA) the September \$95 puts being sold to buy the \$115/\$135 call spread 3,000X, a name that saw 1500 June \$114 puts sold to open \$3.70 yesterday, and also has seen 2200 July \$120 calls sold to open and 550 September \$100 puts sold to open. HCA also appears to have 2000 January 2022 \$115/\$135 call spreads in open interest, while a buyer of 1500 January \$130 puts from February also remains in OI. HCA shares have rallied off March lows and right back into a former breakdown level, now resistance, while the 200 day MA is above at \$124.40 and shares in a very narrow multi-week range. Shares should target a run to \$130/\$135 on a move above the \$120 level. The \$36.25B leading health care services company with general and acute care hospitals trades cheap at 10.65X Earnings, 0.7X Sales and 11.3X FCF. HCA is a strong operator with a ROIC in the 10-11% range the last few years and a strong FCF generator. HCA spoke at the Goldman Conference yesterday, after suspending its dividend and withdrawing guidance in April. HCA should see trends improve as states reopen and procedures start occurring again. Analysts have an average target near \$138 and short interest low at 1.5% of the float. Barclays with an interesting note yesterday on an accelerated demand for mental health services set to boost traffic. Mizuho lowered its target to \$136 in late May and UBS in April down to \$138 from \$183 noting admission trend weakness from COVID-19 impact. Hedge Fund ownership rose 0.8% in Q1 filings, notable top holders like Magellan, Longview, Lyrical, Glenview and Brave Warrior.

Hawk Vision:



Hawk's Perspective: HCA at a nice level here and is a value name that is likely to see improving trends and regain stability, a solid long.

Confidence Ranking: \$\$