



FEATURED OPTIONS RADAR REPORT



Henry Schein Bear Positions for Weak Earnings

Ticker/Price: HSIC (\$69)

Analysis:

Henry Schein (HSIC) drops late with 6500 August \$70 puts bought \$3.80, earnings 8-4, and 100X daily put volume becoming the only notable position in open interest. HSIC shares have rallied sharply off March lows and back near a major resistance level that has held on multiple attempts since 2016. HSIC is a leading distributor in the healthcare industry with a focus on dental markets, and spun-off its animal health unit last year. HSIC likely experienced a large drop in sales with many healthcare offices closed in Q2. HSIC sees better growth opportunities in dental specialty markets, estimated at \$7.8B market, and has a 10% current market share. HSIC is the #2 U.S. distributor to healthcare providers in multiple segments: alternate-site practices, ambulatory surgery centers, laboratory, public safety, government and health systems, outside of its core dental business. The \$9.6B Company trades 19.55X Earnings, 0.95X Sales and 13.8X FCF with a strong balance sheet. It operates with low 9.2% EBITDA margins though historically a ROIC near 15%. Analysts have an average target of \$64 and short interest elevated near 10% of the float. Barrington downgraded shares in May noting it will take several quarters for HSIC to recover but overall recent Analyst coverage has been minimal. UBS lowered its target to \$50 with a Sell rating. Hedge Fund ownership fell 13.5% in Q1 filings, Longview reducing but maintained a large position. HSIC will report on 8/4.

Hawk Vision:



Hawk's Perspective: HSIC has always been a favorite name to short, always thought it was a lousy business and now back at resistance after a big recovery seems likely to roll back over.

Confidence Ranking: \$\$