



FEATURED OPTIONS RADAR REPORT



Bulls Position for Earnings in Laggard Healthcare Solutions Stock

Ticker/Price: CAH (\$49)

Cardinal Health (CAH) aggressive buyers 5,000 December \$50 calls \$2.15 offer, 600 December \$47.50 calls bought for \$3.40 and later 1000 January \$50 calls bought for \$2.55 to \$2.60 into 11-9 earnings this morning. CAH has seen buyers recently in the January puts, tied to long stock, while the November \$52.50 and \$55 calls also seeing activity in late September, 7500X and latter over 9000X. CAH also has a lot of underwater call buys from April and May in the January 2022 and January 2023 calls. Shares are forming a multi-week base under \$50 and the declining 55-EMA with a narrow monthly value range set to break higher. A move above \$50.65 has room to last month's POC at \$51.75 and then the top of yearly value at \$55. CAH has been in a weak trend since the start of the year but back at the low-end of yearly value now and potentially nice risk/reward on a run back higher. The \$13.77B company trades 7.85X earnings, 0.10X sales, and 10.22X FCF. CAH has been plagued by headwinds all year around the opioid settlement and a series of higher investments after the Cordis divestiture. The company continues to focus on paying down debt and improving the balance sheet so that 2022 and 2023 can be more aggressive years of investing in organic growth and potential M&A. CAH reports earnings on 11-9 and potential to see a reversal of recent woes as they expect the year to be significantly back-half weighted. The company was at the MSCO conference on 9/14 noting they expect tailwinds into year-end from more favorable comps, costs around supply easing, and the end of a multi-year project in pharma to build out their tech infrastructure. Analysts have an average target for shares of \$58.50 with a Street High \$68. Deutsche cutting shares to Hold in August after earnings while BAML cut to Underperform citing both lower earnings expectations and a lower multiple. The company's guidance was for a mix of operational headwinds, incremental investments that were unexpected, and a less aggressive capital deployment plan than we would have assumed. Hedge fund ownership fell 2.5% last quarter. Camber Capital a buyer of 1.25M shares. Short interest is 2.5%.

Hawk Vision:



Hawk's Perspective: CAH is at a cheap level and can see a pathway for a return to growth over the next 2-3 years through all the moving pieces but short-term it's a tough name to trust into results given their weak history, despite recent positive commentary from peers like MCK.

Confidence Ranking: \$