



FEATURED OPTIONS RADAR REPORT



Cardinal Health Bulls Target Long-Term Breakout into Recovery Year

Ticker/Price: CAH (\$56)

Analysis:

Cardinal Health (CAH) buyers of 1,500 September \$55 calls up to \$5.30 and still has 1000 January \$60 ITM puts sold to open in open interest from January, a more than \$1M trade. CAH has 1000 January \$70 short puts in OI as well for more than \$1.8M. Shares are forming a nice bull wedge under \$58 and a multi-month base breakout stretching back to early 2019. A run higher has a measured move to \$80. The \$15.5B company trades 8.7X earnings, 0.10X sales, and 4X cash with strong FCF and a 3.5%+ dividend. CAH is guiding to mid-single digit revenue growth and a return to EPS growth in FY23. CAH is coming off of a strong quarter and raising their outlook as they execute on a cost-cutting plan, invest in their supply chain and see a return to growth for their Lab business. CAH also noted in February that COVID's impact has been lessening on their core business and they expect the Medical business to steadily improve in 2021. CAH outlined plans last year to be more aggressive with investments in growing areas like their Nuclear business and their specialty business across oncology, rheumatology, and nephrology. The latter is a business where they see potential for expansion across acute care hospitals and could seek M&A according to comments made yesterday at the Barclays conference. Analysts have an average target for shares of \$62. Mizuho positive on earnings visibility and a nice recovery in the core business while potential tailwinds from the distribution of a COVID-19 vaccine will boost their outlook too. Baird positive on the name with a Street High \$70 PT noting that their Lab business has been underestimated and work towards an opioid settlement will clear a major headwind. Short interest is 1.85% and near the 2016 lows. Hedge fund ownership was flat in Q4,

Hawk Vision:



Hawk's Perspective: CAH is a bit extended near-term but that long-term chart is nice and a name to target if it can settle down and we see value names continue to outperform

Confidence Ranking: \$\$