



## FEATURED OPTIONS RADAR REPORT



### Centene Calls Target Long-Term Breakout as Focus Turns to Margin Growth

**Ticker/Price:** CNC (\$69)

#### Analysis:

**Centene (CNC)** late day buyers on 7/29 for 10,000 December \$80 calls for more than \$1.4M and name that has bullish longer-term positioning in the September and December options from mid-May that remains in OI. Shares broke down out of a multi-week range this week on earnings with the 200-day just below around \$65.50 as ideal support. Longer-term, CNC is in a big monthly flag under \$75 with a breakout targeting \$100. The \$40.5B healthcare company trades 12.2X earnings, 0.35X sales, and 8.25X FCF with low-double digit growth. CNC hosted an investor day in June which signaled an emphasis towards margin expansion and growing EPS to \$8/share by 2024. CNC expects to utilize more financial discipline as well as consolidate platforms, invest in tech, and focus more on value-based contracting to drive profitability. The company longer-term aims to keep their leadership position in Medicaid and Marketplace while Medicare an area where they can see growth, especially at a time when the possible enrollment pool is expected to jump. Analysts have an average target for shares of \$83.50 with a Street High \$93. Seaport Global starting coverage at Buy in July expecting enrollment growth and margins to mostly expand in 2021 while the opportunity overall for managed care to extend more coverage to more individuals seems tremendous. BMO positive in June after their investor day citing the multi-year growth potential as high-acuity Medicaid populations are brought into managed care. Short interest is 1.5%. Hedge fund ownership fell 3% in Q1. Point72 a buyer of more than 1M shares.

#### Hawk Vision:



**Hawk's Perspective:** CNC looks destined to revisit the 200-MA at \$65.50 which would be a big area of interest for a rebound back into the prior volume node; longer-term, like the plan they put forth in June and think they can be a strong long-term value name in the space

**Confidence Ranking:** \$\$