

## SPOTLIGHT OPTION TRADE



### Healthcare Value Name Back to Optimal Entry Level, Expect Large Buyback

#### TRADE SNAPSHOT

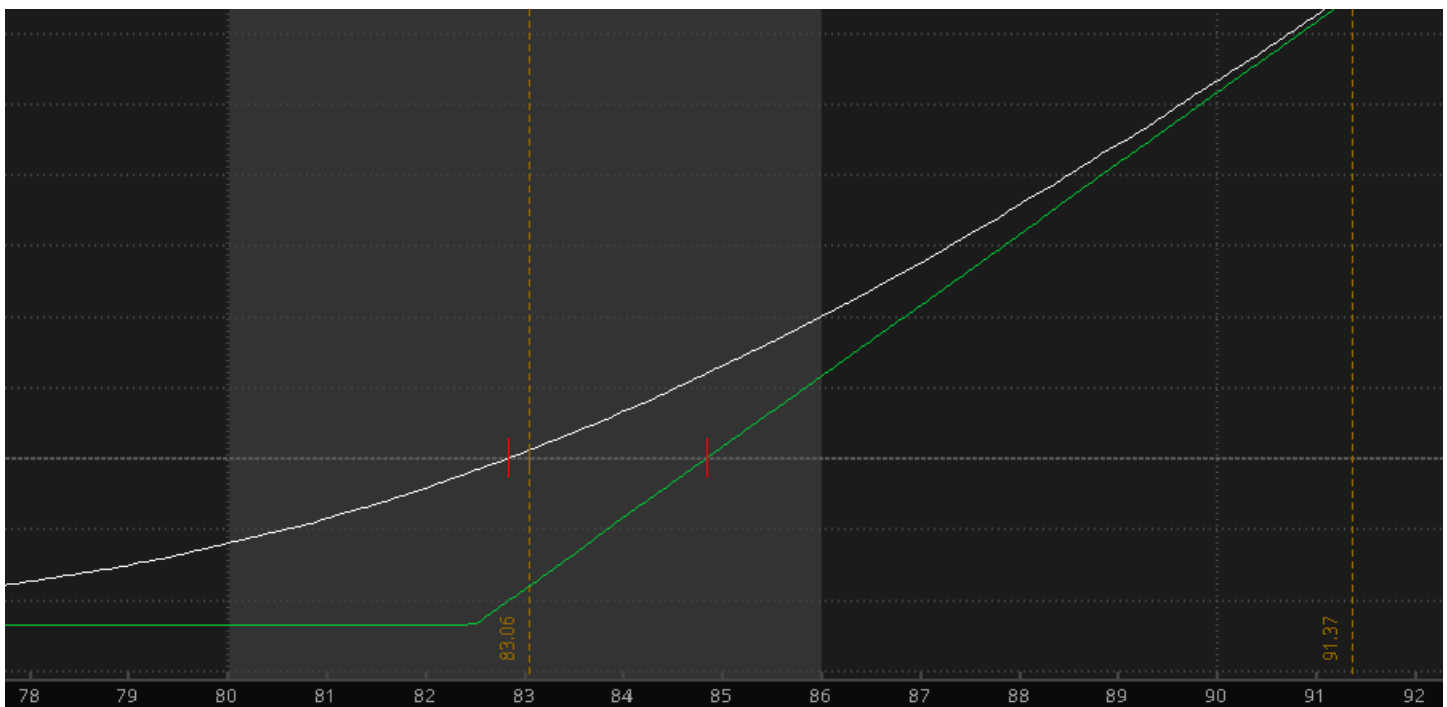
TICKER	CVS
SECURITY	CVS Health
SECTOR	Healthcare – Managed Care and Pharmacy
CURRENT PRICE	\$83
LONG/SHORT	Long
TARGET	\$92
STOP	\$79
TIMEFRAME	1 Month

**Trading Strategy:** Long the CVS August \$82.50 Calls at \$2.35 or Better

**Net Debit/Credit:** Debit of \$2.35

**Profitability Zone:** CVS Shares Above \$84.85 on August OpEx

**Options Volatility / Trade Simulator View:**





**Technical Analysis:** CVS shares broke out of its pullback trend and a nice base that held right at VWAP off February lows and above a 50% retracement with RSI also breaking back above 50. Shares have a long way to run in this rising channel of higher highs and higher lows.



**Fundamental Analysis:** CVS is a leading managed care and pharmacy company and has a market cap of \$110B trading 10X Earnings, 0.4X Sales and 10.65X FCF with a 2.41% yield. CVS will face some tougher comps this year post-COVID but for FY22 forecasting 5% revenue growth with 8% EPS growth. CVS has a strong balance sheet and generates significant cash flows and is likely to announce a large buyback with the next earnings report. It should see a boost from the vaccination roll out last quarter resulting in better store traffic and sales comps. PBM has seen strength from specialty though there is a constant overhang from Amazon pushing into that territory. Analysts have an average target of \$95 with short interest low at 1.4% of the float. Cowen out positive this week noting strong data points in adjusted claims growth for PBM and RX growth in Retail/LTC. Mizuho noted on 7/2 that CVS was the top winner of new business in PBM checks. Barclays raised its target to \$100 in May after the CFO transition and sees legacy Aetna executives taking a larger role.

### Options Activity:

Date	Description	Volume	Open Int	Price	Delta	Impl Vo	Prob.ITM	Premium Paid	Symbol	Current Price	Current OI	Price Change	OI Differential
7/21/2021	CVS 100 20 JAN 23 90 CALL	1,000	1,129	\$6.05	0.4	24.46%	29.28%	\$605,000	.CVS230120C90				
7/20/2021	CVS 100 (Weeklys) 6 AUG 21 75 PUT	4,002	237	\$0.37	-0.12	34.04%	13.37%	\$148,074	.CVS210806P75	\$0.33	4089	-10.81%	-3.54%
7/19/2021	CVS 100 (Weeklys) 27 AUG 21 76 PUT	1,112	1	\$1.20	-0.27	26.98%	30.06%	\$133,440	.CVS210827P76	\$0.87	1112	-27.50%	-.09%
7/16/2021	CVS 100 17 SEP 21 80 PUT	1,385	39	\$2.40	-0.41	22.31%	45.23%	\$332,400	.CVS210917P80	\$2.50	1353	4.17%	-4.99%
7/15/2021	CVS 100 18 FEB 22 82.5 PUT	481	14	\$6.93	-0.51	23.64%	58.61%	\$336,700	.CVS220218P82.5	\$6.70	511	-3.32%	3.23%
7/15/2021	CVS 100 17 SEP 21 82.5 CALL	3,580	0	\$2.56	0.47	21.63%	43.45%	\$916,480	.CVS210917C82.5	\$2.50	3104	-2.34%	-13.30%
7/1/2021	CVS 100 20 JAN 23 75 PUT	800	348	\$7.35	-0.358	24.80%	49.25%	\$588,000	.CVS230120P75	\$8.26	1102	12.38%	-4.01%
7/1/2021	CVS 100 19 NOV 21 85 CALL	2,799	1,847	\$3.10	0.406	22.54%	35.30%	\$867,690	.CVS211119C85	\$2.83	4685	-8.71%	.84%
7/1/2021	CVS 100 (Weeklys) 6 AUG 21 78 PUT	1,052	463	\$1.01	-0.259	25.90%	28.70%	\$106,252	.CVS210806P78	\$0.73	1523	-27.72%	.53%
6/18/2021	CVS 100 19 NOV 21 82.5 PUT	1,500	868	\$5.47	-0.494	23.55%	56.02%	\$820,500	.CVS211119P82.5	\$5.20	2256	-4.94%	-4.73%
6/17/2021	CVS 100 20 JAN 23 97.5 CALL	789	52	\$5.20	0.34	25.69%	23.29%	\$437,895	.CVS230120C97.5	\$3.95	832	-24.04%	-1.07%
6/9/2021	CVS 100 19 NOV 21 85 PUT	1,766	255	\$5.40	-0.47	23.39%	54.17%	\$980,130	.CVS211119P85	\$6.49	2160	20.19%	6.88%
5/25/2021	CVS 100 21 JAN 22 90 PUT	1,607	167	\$7.85	-0.51	22.85%	59.54%	\$1,277,565	.CVS220121P90	\$12.85	1684	63.69%	-5.07%
5/19/2021	CVS 100 21 JAN 22 85 PUT	2,500	637	\$5.65	-0.37	25.20%	46.07%	\$1,412,500	.CVS220121P85	\$8.60	4821	52.21%	53.68%
5/18/2021	CVS 100 17 JUN 22 85 PUT	2,504	2,062	\$7.80	-0.42	23.16%	53.15%	\$1,978,160	.CVS220617P85	\$11.20	6826	43.59%	49.50%
5/12/2021	CVS 100 19 NOV 21 90 CALL	1,026	837	\$3.15	0.34	24.19%	28.20%	\$318,060	.CVS211119C90	\$1.39	2695	-55.87%	44.66%
5/12/2021	CVS 100 19 NOV 21 80 PUT	755	204	\$4.45	-0.38	24.50%	45.88%	\$335,975	.CVS211119P80	\$4.15	1085	-6.74%	13.14%
5/12/2021	CVS 100 17 JUN 22 62.5 PUT	1,166	256	\$2.19	-0.15	28.13%	22.92%	\$258,852	.CVS220617P62.5	\$1.91	1610	-12.79%	13.22%
5/11/2021	CVS 100 17 JUN 22 85 PUT	2,003	32	\$9.25	-0.49	23.18%	60.23%	\$1,852,775	.CVS220617P85	\$11.20	6826	21.08%	235.43%
5/7/2021	CVS 100 20 AUG 21 82.5 CALL	6,835	2,315	\$5.10	0.59	23.03%	54.17%	\$3,520,025	.CVS210820C82.5	\$1.77	11075	-65.29%	21.04%
5/6/2021	CVS 100 19 NOV 21 72.5 PUT	1,201	572	\$1.96	-0.203	24.28%	26.05%	\$235,396	.CVS211119P72.5	\$1.59	2274	-18.88%	28.26%
5/5/2021	CVS 100 20 JAN 23 80 CALL	5,698	6,910	\$10.75	0.56	25.14%	42.81%	\$6,125,350	.CVS230120C80	\$9.50	5661	-11.63%	-55.10%
5/5/2021	CVS 100 17 JUN 22 87.5 CALL	1,001	4	\$5.45	0.42	24.80%	31.84%	\$575,575	.CVS220617C87.5	\$4.80	3102	-11.93%	208.66%
5/4/2021	CVS 100 21 JAN 22 77.5 PUT	2,047	1,027	\$5.15	-0.4	23.32%	48.74%	\$1,084,910	.CVS220121P77.5	\$4.15	3359	-19.42%	9.27%
5/4/2021	CVS 100 17 JUN 22 82.5 PUT	1,736	1	\$9.90	-0.51	23.19%	62.27%	\$1,753,360	.CVS220617P82.5	\$8.30	1797	-16.16%	3.45%
4/22/2021	CVS 100 20 AUG 21 85 CALL	4,163	3,363	\$1.14	0.21	23.92%	16.92%	\$474,582	.CVS210820C85	\$0.94	11410	-17.54%	51.61%
4/21/2021	CVS 100 19 NOV 21 82.5 CALL	2,631	1,440	\$2.97	0.35	23.64%	29.07%	\$781,407	.CVS211119C82.5	\$3.80	3575	27.95%	-12.18%
4/20/2021	CVS 100 19 NOV 21 80 CALL	2,947	1,049	\$3.30	0.39	23.56%	32.05%	\$972,510	.CVS211119C80	\$4.98	6603	50.91%	65.24%
4/20/2021	CVS 100 19 NOV 21 77.5 CALL	3,749	591	\$4.25	0.46	23.59%	38.72%	\$1,630,815	.CVS211119C77.5	\$6.86	1897	61.41%	-56.29%
4/20/2021	CVS 100 19 NOV 21 67.5 CALL	4,694	27	\$10.05	0.75	25.60%	66.38%	\$4,717,470	.CVS211119C67.5	\$13.55	3792	34.83%	-19.68%
4/19/2021	CVS 100 20 JAN 23 52.5 PUT	1,280	179	\$2.50	-0.15	28.78%	25.94%	\$320,000	.CVS230120P52.5	\$1.79	1450	-28.40%	-.62%
4/15/2021	CVS 100 20 JAN 23 67.5 PUT	700	168	\$7.00	-0.34	26.79%	49.36%	\$490,000	.CVS230120P67.5	\$4.75	875	-32.14%	.81%

### Potential Catalysts: Earnings 8-4; Buybacks

## **Disclaimer:**

### **Not Investment Advice or Recommendation**

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