



FEATURED OPTIONS RADAR REPORT



McKesson Bulls See Upside Move Continuing in 2021

Ticker/Price: MCK (\$202.68)

Analysis:

McKesson (MCK) a value name seeing bullish action recently as 3000 June \$210 calls opened on 5/14 and 5/17 and on 5/21 the January \$250 calls bought 3000X for over \$1.7M and 650 of the \$230 calls also bought for \$670K. MCK shares have been in a steady strong trend since a big gap higher last November and are +16.5% YTD and look headed back to a test of the 2015 highs up near \$235/\$240. MCK is a global leader in healthcare supply chain management solutions, retail pharmacy, community oncology and specialty care, and healthcare information solutions. The U.S. Pharmaceutical segment distributes branded, generic, specialty, biosimilar and over-the-counter pharmaceutical drugs, and other healthcare-related products. The Medical-Surgical Solutions segment provides medical-surgical supply distribution, logistics, and other services to healthcare providers, including physician offices, surgery centers, nursing homes, hospital reference labs, and home health care agencies. The RxTS segment brings together CoverMyMeds, RelayHealth, RxCrossroads, and McKesson Prescription Automation, including Multi-Client Central Fill as a Service, to serve our biopharma and life sciences partners and patients. The \$32B company trades 7.5X EBITDA, 9.8X Earnings and 8.45X FCF with a 0.83% yield and strong balance sheet. MCK forecasts seen revenues growing at a steady 3-5% annual rate the next three years with EPS growth 8-12%. MCK recently guided FY22 EPS above estimates with strength in US Pharma from specialty and tailwinds from utilization returning. MCK also squashed investor concerns with the generic segment which remains stable. MCK has also had a long overhang of the opioid settlement and likely sees reduced legal expense moving forward. MCK has been benefitting as a key distributor of the COVID vaccine. MCK spoke at the BAML Conference on 5-13 and noted capital deployment opportunities already having a \$2B buyback guided for FY22. Analysts have an average target of \$225 and short interest is low at 1.7% of the float. CSFB raised its target to \$222 recently seeing upside to 2022 estimates. Argus upgraded to Buy on 3/30 with a \$230 target. Glenview and Healthcor notable concentrated holders.

Hawk Vision:



Hawk's Perspective: MCK remains attractively valued and can easily see \$250 this year, its business trends are improving and a re-rate should continue.

Confidence Ranking: \$\$