

## SPOTLIGHT OPTION TRADE



### Calls Underpriced in Medical Device Leader with Catalyst into Year-End

#### TRADE SNAPSHOT

TICKER	MDT
SECURITY	Medtronic PLC
SECTOR	Healthcare – Medical Devices
CURRENT PRICE	\$122.50
LONG/SHORT	Long
TARGET	\$117
STOP	\$128
TIMEFRAME	2 Months

**Trading Strategy:** Long MDT December \$125 Calls at \$2.80 or Better

**Net Debit/Credit:** Debit of \$2.80

**Profitability Zone:** MDT Above \$127.80 on December OpEx

**Options Volatility / Trade Simulator View:**





**Technical Analysis:** MDT shares have pulled back to test a former resistance level that is now key support and also VWAP off the October lows while trapped just under its 200-day moving average this week. MDT weekly RSI is at an oversold level that it has historically rebounded.



**Fundamental Analysis:** MDT has a market cap of \$163B and trades 19.5X Earnings, 5.15X Sales and yields a 2%+ dividend while revenues seen growing 9.5% in 2022 with 25.5% EBITDA growth. MDT has four operating and reportable segments that primarily develop, manufacture, distribute, and sell device-based medical therapies and services: the Cardiovascular Portfolio, the Medical Surgical Portfolio, the Neuroscience Portfolio, and the Diabetes Operating Unit. The Cardiovascular Portfolio is made up of the Cardiac Rhythm & Heart Failure, Structural Heart & Aortic, and Coronary & Peripheral Vascular divisions. The Medical Surgical Portfolio is made up of the Surgical Innovations and Respiratory, Gastrointestinal, & Renal divisions. The Neuroscience Portfolio is made up of the Cranial & Spinal Technologies, Specialty Therapies, and Neuromodulation divisions. The Diabetes Operating Unit develops, manufactures, and markets products and services for the management of Type 1 and Type 2 diabetes. MDT had a recent set-back as its ONMED study did not meet the benefit threshold and resulted in a one-year delay and reducing expectations for it to \$500M+ by 2026 from \$1B. MDT has a very strong balance sheet and cash flows and could be in a position to utilize M&A to boost its growth profile. One report recently suggested MDT could target Triple Jump which makes an insulin patch pump to boost MDT's struggling diabetes unit. MDT is coming off a solid quarter with margins back to 2020 levels. Analysts have an average target of \$145 with short interest low at 0.7% of the float. Argus raised its target to \$165 after the latest report.

### Options Activity:

Date	Description	Volume	Open Int	Price	Delta	Impl Vo	Prob.ITM	Premium Paid	Symbol	Current Price	Current OI	Price Change
10/21/2021	MDT 100 17 DEC 21 125 CALL	1,067	650	\$2.70	0.38	21.99%	34.71%	\$288,090	.MDT211217C125	\$3.55	1694	31.48%
10/21/2021	MDT 100 (Weekly) 3 DEC 21 124 CALL	601	0	\$3.00	0.4	20.71%	36.79%	\$180,300	.MDT211203C124	\$3.00	599	0.00%
10/15/2021	MDT 100 (Weekly) 5 NOV 21 127 CALL	1,184	116	\$2.81	0.52	22.59%	49.75%	\$338,624	.MDT211105C127	\$0.55	1248	-80.43%
10/11/2021	MDT 100 17 DEC 21 130 CALL	902	118	\$2.45	0.313	23.81%	27.85%	\$220,990	.MDT211217C130	\$1.75	2131	-28.57%
10/4/2021	MDT 100 (Weekly) 12 NOV 21 128 CALL	4,028	0	\$2.86	0.353	19.05%	33.00%	\$1,152,008	.MDT211112C128	\$0.48	2784	-83.22%
9/30/2021	MDT 100 19 NOV 21 130 CALL	7,947	4,379	\$2.68	0.348	24.30%	31.54%	\$2,129,796	.MDT211119C130	\$0.65	16040	-75.75%
9/30/2021	MDT 100 19 NOV 21 125 PUT	5,592	1,866	\$4.10	-0.481	23.60%	51.71%	\$2,292,720	.MDT211119P125	\$3.00	13006	-26.83%
9/28/2021	MDT 100 21 JAN 22 120 CALL	2,042	3,639	\$10.10	0.65	24.68%	59.39%	\$2,062,420	.MDT220121C120	\$7.49	3709	-25.84%
9/15/2021	MDT 100 17 JUN 22 130 PUT	800	128	\$9.95	-0.46	20.99%	54.40%	\$808,000	.MDT220617P130	\$13.78	984	38.49%
8/18/2021	MDT 100 18 FEB 22 150 CALL	1,070	18	\$1.45	0.2	23.43%	16.14%	\$337,050	.MDT220218C150	\$0.39	1256	-73.10%
7/27/2021	MDT 100 19 NOV 21 135 PUT	535	112	\$9.00	-0.63	19.07%	67.51%	\$484,175	.MDT211119P135	\$11.75	894	30.56%
7/27/2021	MDT 100 17 JUN 22 120 CALL	275	57	\$16.30	0.66	23.61%	57.09%	\$448,250	.MDT220617C120	\$9.60	428	-41.10%
6/18/2021	MDT 100 17 JUN 22 125 CALL	403	178	\$9.65	0.487	23.03%	39.54%	\$388,895	.MDT220617C125	\$7.81	1648	-19.07%
6/11/2021	MDT 100 21 JAN 22 125 CALL	1,600	1,377	\$7.80	0.5	22.25%	42.86%	\$1,272,000	.MDT220121C125	\$4.55	2976	-41.67%

**Potential Catalysts:** Earnings 11-23

## **Disclaimer:**

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

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