



## FEATURED OPTIONS RADAR REPORT



### Molina Calls Targeting Strong 2021, ACA Decision

**Ticker/Price:** MOH (\$216)

#### Analysis:

**Molina Health (MOH)** with over 2,000 June \$240 calls on Friday up to \$13.50 to open, trading more than 65X average and name without much notable open interest. MOH shares have pulled back from recent highs and bouncing late last week off of VWAP from the September lows. MOH is clearing a narrow pullback now and room back to \$230 and then a measured run to \$265. The \$12.82B company trades 13.7X earnings, 0.66X sales, and 13.67X FCF with best-in-class margins. MOH is a managed care provider in the US with a focus on low-income individuals under the Medicaid and Medicare banners. MOH expects near 20% growth in FY20 and 24% in FY21. In 2021, the company expects to continue winning new states, expanding coverage in their existing markets, increasing penetration in high-acuity populations, and leveraging M&A as a growth tool. Analysts have an average target for shares of \$217.50 and a Street High \$266 from Piper. Truist with a \$260 PT noting that the firm expects the sector to benefit from tailwinds from site of service redirection, further acceleration in Value-Based Care, relatively benign reimbursement, and a focus on integrated care delivery. Short interest is 1.5% and down sharply from 2017's peak. Hedge fund ownership fell 1% in Q3, Polar Capital and Viking Global both notable buyers. MOH has a notable catalyst in the 1H of 2021 from the SCOTUS which heard California vs Texas in November and a decision expected early this year. The case covers whether the minimum-coverage provision is severable from the rest of the ACA.

#### Hawk Vision:



**Hawk's Perspective:** MOH is often overlooked within the managed care group but it has strong metrics and sets up well against the recent low

**Confidence Ranking:** \$\$