



FEATURED OPTIONS RADAR REPORT



Large Call Spreads Position for Upside in Value-Based Care Disruptor

Ticker/Price: OSH (\$23.15)

Oak Street Health (OSH) shares are -30% YTD and -60% over the past year but have rebounded 40% in the past month showing notable relative strength since it posted numbers in late February despite missing estimates and lowering the outlook. In mid-February we saw December \$22.50 calls bought 2000X while the December \$25/\$45 call spreads bought to open 25,000X and remain in open interest. OSH also had a buyer of 1000 April \$25 calls this week in an adjustment trade. OSH shares touched trend resistance this week on highs while VWAP off those highs comes into play near \$31. OSH operates primary care centers within the United States serving Medicare beneficiaries that combines an innovative care model with superior patient experience. The Oak Street Platform brings technology-enabled, value-based care to the Medicare-eligible population, which represents the highest proportion of healthcare spending in the United States. OSH currently has a market cap of \$5.4B and trades 2.7X FY22 EV/Sales with revenues seen rising 48% in 2022 and 41% in 2023 while profitability not expected until FY25. OSH's mission is to rebuild primary care and opened 50 new centers in 2021 including in 8 new states. OSH is scaling back new center opening as it focuses more on cash burn and profit metrics. OSH will host an Analyst Day on 3/16 that should outline its roadmap to breakeven in 2025. Analysts have an average target of \$33 with short interest very high at 22% of the float. MSCO cut its target to \$18 in January while Truist lowered to \$34 staying positive on the company's personalized, high-touch primary care model amid aging demographics, the growing prevalence of chronic conditions, and continued mix shift towards Medicare Advantage.

Hawk Vision:



Hawk's Perspective: OSH is tough to chase after a 40% move and with the high short float, an intriguing business but these long duration type plays are out of favor with profitability far into the future, though it being acquired is a potential outcome for these spreads.

Confidence Ranking: \$\$