



Large Call Buys in Bausch Health into Range Support

Ticker/Price: BHC (\$21.25)

Analysis:

Bausch Health (BHC) with 10,000 April \$25 calls bought to open up to \$1.68 and later nearly 500 April \$19 calls bought for \$4.30 while some \$18 and \$20 calls also active. BHC has some sizable OTM Oct. \$25 calls in OI from June, over 20,000, while the \$25 short puts with over 15,000 as well and underwater. Shares have pulled back to the \$21/\$20 level which has been key support multiple times since mid-2018 and current range targets a move back to \$25/\$26. A breakout of this multi-month range targets \$36. The \$7.58B company trades 4.92X earnings, 0.90X sales, and 5.68X FCF. BHC has a lot of debt on the balance sheet but outlining a strategic plan to pay down their obligations a few years ago while balancing 25% growth in R&D spend. Since 2016, the company has cut down debt by \$8B. BHC expects earnings growth to accelerate through FY21, up 3.2% and then 15.89% while sales growth up 3%. BHC is coming off a strong quarter with Salix up 15% and raising their FY outlook behind expected uptake in a suite of new products like Trulance, Lotemax, and Duobrii. Analysts have an average target for shares of \$30. HCW raising their PT to \$54 on 8-7 and the firm believes the company's flagship Bausch + Lomb division "continues to perform robustly." Barclays positive on 7-8 citing improving fundamentals and improvement in the balance sheet, while Xifaxan demand remains "healthy" and the June launches of Duobrii and ULTRA Multifocal Lenses support their longer-term growth forecast. Short interest is 2.9% and near its lowest levels since 2016. Hedge Fund ownership fell 3.7%. Paulson a top holder with 20.8M shares while ValueAct the second largest holder with 17.9M shares. Glenview, Orbimed, and Perceptive also notable holders. BHC has seen a number of insider buys this year. On 8-20, the Pres. Of Dermatologics bought \$650K in stock at \$21.18 while in February CEO Joe Papa bought \$710K of stock at \$23.67. BHC will be at the Morgan Stanley conference on 9/9 to 9/11 and the Deutsche Bank conference on 9/23 to 9/25.

Hawk Vision:



Hawk's Perspective: BHC has large call open interest, insider buying, and Value Act involved so it definitely looks intriguing versus recent lows.

Confidence Ranking: \$\$