



Teva Puts Adjust, See Issues Remaining

Ticker/Price: TEVA (\$10.70)

Analysis:

Teva Pharma (TEVA) with over 95,000 March ITM \$12 puts bought for \$2.15 to \$2.20 today, adjusting back some \$11 puts as shares continue bounce from 52-week lows. TEVA has some sizable put OI including 39,000 March \$10 puts, over 25,000 of the \$9 puts, and 20,000 January 2021 \$10 puts. Shares have rallied over 65% since September but back at an optimal spot for a reversal with the declining 200-MA as well as the 23.6% Fibonacci retracement of the decline. The \$11.2B company trades 4.2X earnings, 0.65X sales and 9X cash with a debt-heavy balance sheet. They're guiding to low-single digit EPS growth and revenue growth contracting again in 2020 as estimates have been slashed all year. TEVA's focus recently has been on their part in the ongoing opioid settlements. In October, they reportedly reached a principle deal with five states but many of the plaintiff municipalities have rejected the framework. TEVA faces a multitude of cases across over 40 states in what could likely be the largest litigation since tobacco. On 10-14, Debtwire speculated that TEVA may be one of several companies that ultimately opt for bankruptcy as the only effective way to address the onslaught of claims in a coordinated way. Analysts have an average target for shares of \$10.25. Jefferies on 11-20 cautious noting that any opioid settlement is a long way away given that 46 states still need to opt in and that seems uncertain to happen. The firm thinks the litigation will remain a cloud on future visibility for some time. JP Morgan upgrading to Neutral earlier this month on valuation. Short interest is 5.9% and up from around 1.7% in May. Hedge fund ownership fell 13% in Q3. Berkshire Hathaway is a top holder with 43M shares. They bought in Q4 2017 and estimated average price paid around \$18.35. TEVA had a director buy almost \$2M in stock in June around \$9.60.

Hawk Vision:



Hawk's Perspective: TEVA remains a dog and think bankruptcy is a real possibility, so owning puts into these reversal rallies makes sense.

Confidence Ranking: \$\$