



Bausch Health Calls Continue Accumulation as Shares Break Resistance

Ticker/Price: BHC (\$19.40)

Analysis:

Bausch Health (BHC) with another 3,325 January 2022 \$30 OTM calls bought today up to \$2.70 and spot where 6,350 have been bought the last two sessions. BHC has also seen buyers in the July \$17 calls recently and on 5/7 the January \$15 calls bought 5000X up to \$3.75 and the October \$15 calls bought 3300X up to \$3.15. Shares were coiled to kick off the week above its 8-EMA and breaking out today above \$19.25 of a wide base that stretches back to mid-March. BHC has room in the near-term up to \$23 and the 200-MA and \$25 a big volume node from the last three years. The \$6.6B drug maker has underperformed the recent rebound in the S&P given its leverage but strong FCF and trading 0.77X sales and 3.5X FY22 earnings with high-teens growth forecast. Today's flows are likely targeting strategic actions such as a break up or business spin off to unlock value. The company's eye care business, Bausch & Lomb, has been highlighted as an attractive stand alone business given its long-term margin potential. JP Morgan in February noted that management commentary has suggested they were more amenable to a split and becoming a matter of 'when' not 'if'. BHC's core business has struggled and likely headwinds if we stay in a prolonged recessionary environment. Analysts have an average target for shares of \$32. HCW in March with a \$50 PT noting that concerns over debt are overblown as their debt repayment has been timely and proactive with no mandatory amortization now due until 2022. Short interest is 5.6% but well off of 2017 highs near 15%. Hedge fund ownership rose 4% in Q1. Paulson adding 5M shares and now with 25M total, their largest position and a 13.6% weight. Redwood Capital, Glenview, and Point72 all notable holders as well who added, the two former are 5% holders. Insiders also active in the name. The CEO Joe Papa bought \$1.5M in stock in 2019 around \$23.

Hawk Vision:



Hawk's Perspective: BHC was a top set-up into the week that triggered early and a lot of call buying lately, looking good for a run to its 200 MA.

Confidence Ranking: \$\$