FEATURED OPTIONS RADAR REPORT

Baxter Put Sales Sees Limited Downside

Ticker/Price: BAX ($78.65)

Analysis:

Baxter (BAX) large trade on 11/2 as 1000 January 2022 $90 deep ITM puts were sold to open for $16.85, a name with minimal open interest other than 1,100 January $70 calls from a 2/27 trade valued around $1.7M. BAX shares have traded sideways for 18 months and sit just above three-year trend support. The $40B healthcare products company trades 21.9X Earnings, 3.5X Sales and 46.55X FCF with a 1.25% yield. BAX forecasts see revenue growth at 5.3% in 2021 with 17.8% EPS growth which would be the best year since 2014. BAX's portfolio includes Renal Care, Medication Delivery, Pharmaceuticals, Clinical Nutrition, Advanced Surgery and Acute Therapies. BAX has a robust pipeline of new products expected to deliver $1.7B in new sales in 2023. Analysts have an average target of $94.50 and short interest low at 1.1% of the float. BAX was added to Deutsche Bank's short term catalyst call last week noting the game-changer potential of Theranova, Baxter's novel hemodialyzer that mimics natural kidney function is underappreciated by the Street and could see near-term approval of add-on Medicare reimbursement. Citi upgraded BAX to Buy on 10/1 with a $94 target citing a compelling reward/risk profile. Hedge Fund ownership fell 8.5% in Q2 filings as Third Point trimmed its position, but BAX still a concentrated position for Generation Investment, Third Point, and Carmignac Gestion.

Hawk Vision:

Hawk's Perspective: BAX is a core quality Healthcare name that is fairly defensive and offers good value on dips with potential for its pipeline to be a source of added upside and multiple expansion.

Confidence Ranking: $$