



FEATURED OPTIONS RADAR REPORT



Bausch Health Calls Accumulate for 6 Month Outlook

Ticker/Price: BHC (\$20.65)

Analysis:

Bausch Health (BHC) nice rebound early off the 20-MA and seeing 840 July \$21 calls bought to open for \$2.71 and also another 2,300 July \$18 calls bought and looking to add to size buys from last week where 7,000 accumulated. BHC has also seen buyers recently in the July \$22 and \$23 calls as well as sales in the \$18 and \$19 puts while the April open interest has also seen accumulation. The January \$21 calls with over 21,000 in OI. Shares have trended well since September and today's dip is finding support at the rising 21-MA. A move above \$24 has room to work further into the gap from February which measures back to \$27. The \$7.5B company trades 4.7X earnings, 0.93X sales, and 11.5X FCF. BHC is an interesting event-driven play in 2021 after having announced their intention to separate Bausch & Lomb and now focus turns to structure of the spin and how to distribute capital back to shareholders. CFO Paul Herendeen was at the Evercore conference on 12/1 and noted they believe they'll be ready to spin next year, earlier than expected, and how they monetize the unit could be decided in the 1H of the year. He also noted that BHC has hired advisors to help them find actionable alternatives to unlock value including unit sales where they have gotten significant interest. Analysts have an average target for shares of \$26.50. BAML positive on 12/10 noting they believe there's 20% upside to the current SOTP with a further premium for divestitures in 2021 and a potential special dividend. They also think a spinoff earlier than 2H 2022 is possible if results improve in 2021 (February next earnings) which would allow for other unit sales to accelerate. Short interest is 4.75%. Hedge fund ownership rose 3.2% with Paulson, ValueAct and Glenview the top three holders with a combined 58.5M shares.

Hawk Vision:



Hawk's Perspective: BHC is clearly an event driven play, so could pay off nicely though I tend to prefer true organic growth plays. The July calls are cheap enough to tuck some away if wanting to let this play out.

Confidence Ranking: \$\$