



FEATURED OPTIONS RADAR REPORT



Limited Downside Seen in Relative Strength Healthcare Stock After Transformative Deal

Ticker/Price: BAX (\$84.25)

Analysis:

Baxter (BAX) with 1000 January 2023 \$82.50 puts sold to open for \$6.70 in a stock replacement, relative strength chart with shares near a big weekly breakout. BAX has seen 1,500 January 2023 \$90 puts sold to open in December while the \$85 puts were sold 3,000X on 12/6 as well. The January 2023 \$82.50 calls with 850 bought on 12/16 for \$700K. BAX has held up well with shares above the 55-EMA and just under its January value high with room above \$86 to break out and make a run at the long-term resistance near \$88-\$90. Shares have a measured move to \$95 near-term but the bigger range targets \$120. The \$42B company trades 19.15X earnings, 3.4X sales, and 12.9X cash with a 1.35% yield. BAX is a leading provider of healthcare products with a focus on those treating kidney disease, and other chronic and acute medical conditions. BAX is coming off of a mixed quarter but saw sequential improvement into year-end and optimistic on the 1H of 2022 with the upcoming launch of Novum IQ which should help drive revenue growth. The company got an early closing of their deal with Hill-Rom in mid-December, a major move that expands their product scope and pipeline with greater visibility towards multi-year growth. It also expands their channel reach from home-healthcare to the hospital setting as well as allows them to expand coverage on legacy HRC products into new geographies. BAX sees \$250M in synergies over the next 2-3 years but room for expansion in the 1H of 2022 as they get a better understanding of the timelines. Analysts have an average target for shares of \$95. MSCO upgrading to Overweight on 1/7 with a Street High \$110 PT noting that the Hill-Rom deal is transformative and addresses prior concerns on growth and margin expansion at Baxter, whose improved growth profile, exposure to higher-growth markets and longer-tail margin expansion opportunity offers investors a compelling risk/reward. Citi resumed coverage at Buy in January seeing the company well positioned to deliver double-digit growth. Short interest is 1%. Hedge fund ownership rose 8% last quarter with Glenview adding to their stake and now over 2M shares. Insiders were last active near this current range when a director bought \$800K in stock in April 2020 at \$82.20. Earnings are on 2-17, weak history however lower in seven straight.

Hawk Vision:



Hawk's Perspective: BAX is clearly showing relative strength and like how the stock sets up on multiple timeframes while the integration story should continue to improve throughout the year, a name I would look to take advantage of any weakness on around earnings

Confidence Ranking: \$\$