



FEATURED OPTIONS RADAR REPORT



Bausch Calls Position for Eye-Care Business Announcement

Ticker/Price: BHC (\$28)

Analysis:

Bausch Health (BHC) shares working higher today with 3,000 June \$25 calls bought up to \$3.65 and later 2,000 June \$30 calls bought \$1.15. BHC had a large bull spread on 5/5 sell the July \$23/\$20 put spread and buy the \$31/\$36 call spread 5000X and also recently with buyers in the October \$31 calls and October \$32/\$38 call spreads. Shares have rallied strong from the September lows and recent action pulling back to the 38.2% Fibonacci of the move. BHC is showing relative strength today and a move back above the 8- and 13-EMA gets into a low-volume gap back to \$31. The \$9.74B company trades 5.7X earnings, 1.2X sales, and 9.75X FCF. BHC is an activist/event-driven situation with Carl Icahn taking a major stake in the company earlier this year. Two board members have been appointed and in late April there were reports the company could sell their eye-care unit which has drawn interest from private equity. The standalone B&L business could be valued at \$20B to \$30B. BHC has been divesting businesses, refocusing their core strategy and paying down debt to improve their balance sheet over the last year. Analysts have an average target for shares of \$35 with a Street High \$55 from HCW. The firm was out in March noting that BHC has made solid progress on their self-help initiatives and the timing of the eye-care spin is ideal for the company to move forward in 2021. BAML cut shares to Underperform in March as shares had already priced in an ideal outcome from a separation and the process is likely to take several years. Short interest is 4.5%. Hedge fund ownership rose 8.5% in Q4, Glenview remains a top holder and added 2M shares while GoldenTree Asset Management also adding 4M more shares. Icahn Group has about 8% of shares according to media reports and many could be done through swaps.

Hawk Vision:



Hawk's Perspective: BHC is clearly an event-driven situation with Icahn involved and while it's tricky to evaluate the value of a potential spin or sale given the structure could be complex, the recent reset improves the risk/reward ahead of a potential decision.

Confidence Ranking: \$\$